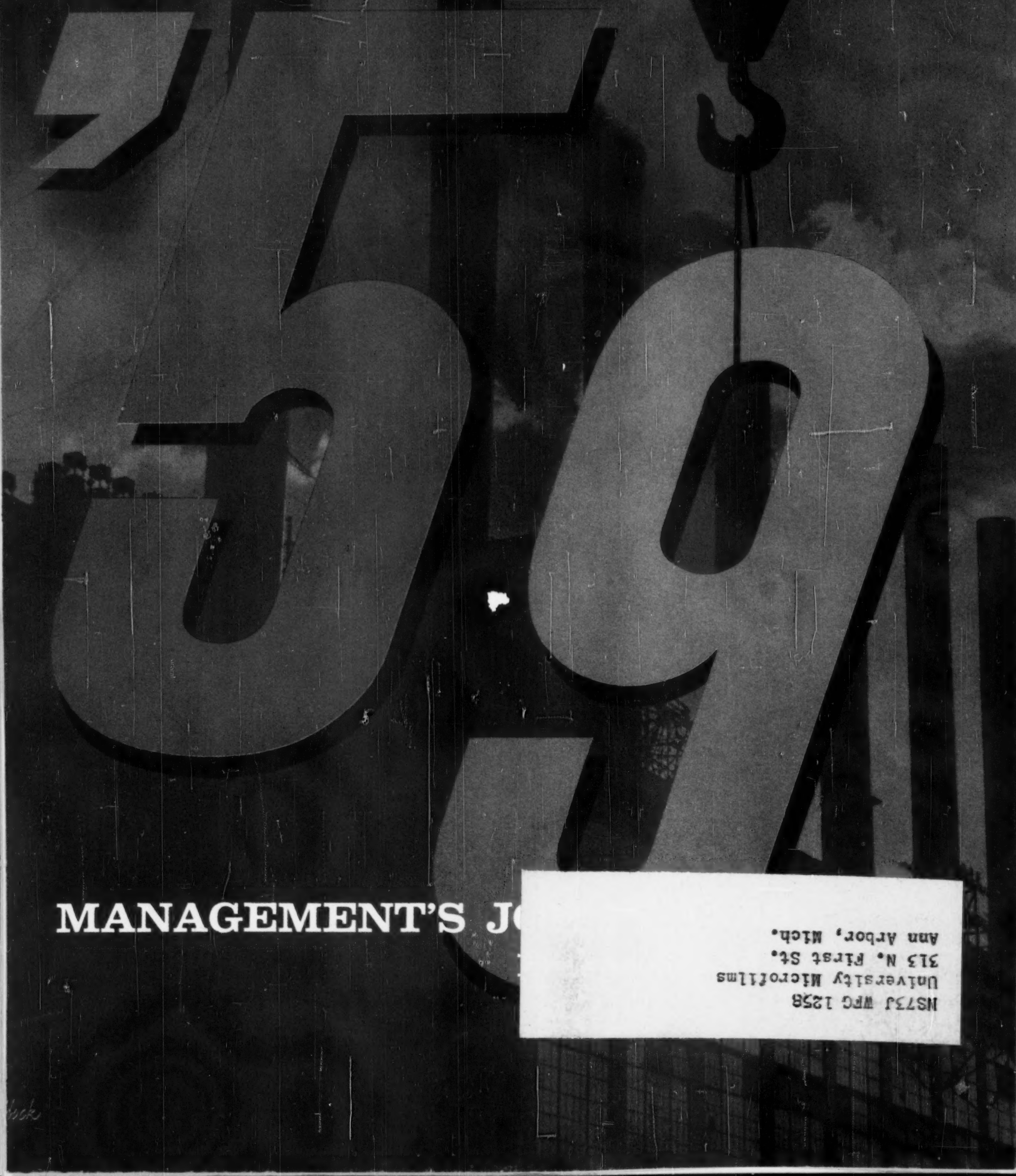
DUN'S REVIEW
and Modern Industry

A DUN & BRADSTREET PUBLICATION

December 1958 75¢



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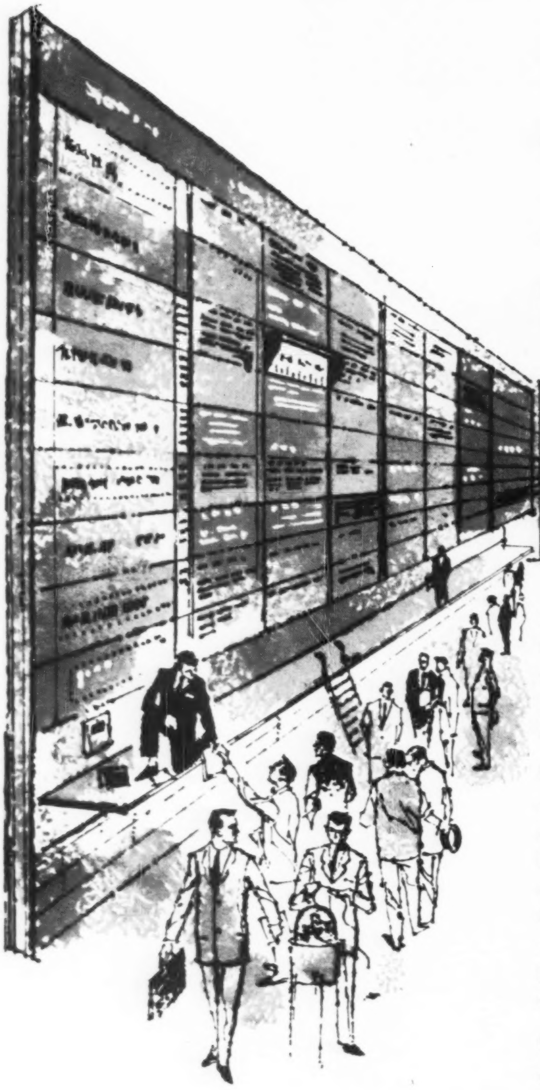

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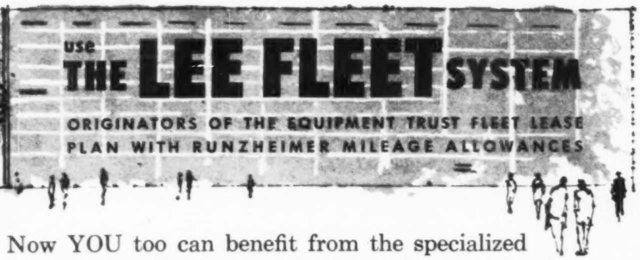

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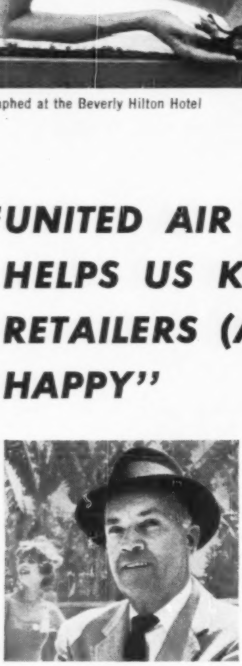
DUN'S REVIEW
and Modern Industry
December 1958
Vol. 72 No. 6

Articles and Features

Departments

Photographed at the Beverly Hilton Hotel

"UNITED AIR FREIGHT HELPS US KEEP THE RETAILERS (AND GIRLS) HAPPY"



HARRY DURAN, ***Traffic Manager***
Catalina Knitting Mills, Inc.
Los Angeles, Calif.

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DUN'S REVIEW and Modern Industry

DUN'S REVIEW AND MODERN INDUSTRY, December 1958, Vol. 72, No. 6. Published monthly by Dun & Bradstreet Publications Corp., J. Wilson Newman, President. Publication Office: 300 West Adams St., Chicago, Ill. Entered as second class matter at the Post Office, Chicago, Ill.

Correspondence for Editorial, Advertising, or Subscription Offices should be sent to Dun's Review and Modern Industry, 99 Church St., New York 8, N.Y.

Subscription: $5 a year in USA and Possessions, and Canada. Elsewhere, $10. Single copy, 75 cents. Please state title and employing company when subscribing.

This magazine is indexed in the Industrial Arts Index, in the Public Affairs Information Service, and also by volumes in an index available upon request to the Editorial Office . . . Member ABC, SBME, and MPA . . . Printed in USA.

CREDITS: Cover, Robert Hallock, photograph from Ewing Galloway; **page 19,** Phillips photograph from Black Star; **page 37,** Devaney, Inc., photograph; **page 45,** Corson photograph from Devaney, Inc.; **page 69,** photograph courtesy of Askania-Werke AG., Berlin; **page 79,** Wide World photograph.

Editorial

Uncle Sam and Your Business

THE PROPER relationship between Government and business is one of inter-reliance rather than inter-dependence. Business must have the strength of mind and purpose to solve its own problems. Government can offer guidance and understanding, but it cannot assume the burdens of business management. The more Government enters into the functions of business, the more costly it is for business to function.

Any burden the Government lifts from one shoulder of business is sooner or later placed on the other shoulder. Short-term remedies often create long-term headaches. This doesn't mean that Government shouldn't recognize a contingency and take action when it is warranted. But it is an admission of individual managerial failure if Uncle Sam must be called on to iron out every annoying wrinkle in the fabric of industry and trade.

The function of Government is to regulate, to adjudicate, to protect. In the game of business, Uncle Sam is an umpire who insists that the contestants play according to the established rules and penalizes those who disobey. It is not the umpire's job to take sides, although he can point out faults and suggest remedies.

The Government, through its taxing responsibility, is a participant in the profits of every business as well as a privileged creditor who often has the power of life or death over an ailing enterprise. There is nothing to be gained by giving it a larger voice in management, by default or by lack of stamina under stress. The more business leans on Government, the more it has to lean, with a resulting increase in paternalism and bureaucracy.

The confident business man relies primarily on self-help and personal ingenuity when confronted with difficulties, whether they be financial or competitive. Before he runs to Washington with his troubles, he consults his banker, accountant, or trade association secretary. If these men can't help, he will always find a patient ear and willing voice among the dedicated career specialists in the Departments of Commerce, Labor, Justice, and the Interior on the banks of the Potomac. He can borrow from their wisdom and experience, especially when the problem is more technical than financial. In fact, it is seldom necessary for him to go to Washington at all, if his problem is well defined and isn't created by a subpoena. A good librarian can get the answers from published sources or by telephone.

Washington may be a beautiful city to visit, with many cultural and recreational attractions, but it is a frustrating bastion of granite to the man who has yet to learn that the art of getting the right answers depends upon the knack of asking the right questions. And one of the first questions to ask should be, "Is this trip necessary?"

The Editors

Thompson Ramo Wooldridge Inc.

On October 31, 1958, **Thompson Ramo Wooldridge Inc.** was formed by the merger of *Thompson Products, Inc.*, and *The Ramo-Wooldridge Corporation.*

Thompson Ramo Wooldridge will be directed by J. D. Wright, Chairman of the Board; Dean E. Wooldridge, President; Simon Ramo, Executive Vice President; and F. C. Crawford, Chairman of the Executive Committee. The other members of the Board of Directors are B. W. Chidlaw, A. T. Colwell, J. H. Coolidge, H. L. George, R. P. Johnson, and H. A. Shepard. Each is a Vice President of the merged company.

Thompson Products, Inc., has been for many years a large manufacturer of components and accessories for the automotive and aircraft industries. In recent years, it has also been active in the fields of Missiles, Electronics, and Nuclear Energy. Thompson has concentrated on products which require a high level of competence in engineering and precision manufacturing.

The Ramo-Wooldridge Corporation was organized five years ago to conduct research, development, and manufacturing operations in the field of electronic and missile systems having a high content of scientific and engineering newness. In addition to the work performed by Space Technology Laboratories, Inc., Ramo-Wooldridge has been engaged in major systems work in such areas as digital computers and control systems, communications and navigation systems, infrared systems, and electronic countermeasures.

The merger of the two companies into Thompson Ramo Wooldridge Inc. is intended to provide an integrated team having strong capabilities for scientific research, engineering development, and precision manufacturing.

Thompson Ramo Wooldridge Inc.

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Steady Gains, But No Boom

NOW THAT the 1957-58 recession is generally agreed to be a thing of the past, the question arises: What happens next? Current reports point to a continued but somewhat slower rate of recovery than prevailed in the early stages of the business revival following the recession low of last April.

The pre-recession peaks will be matched during the first half of 1959, but nothing of boom proportions will immediately follow. Business activity will continue its upward movement, but the rate of increase will not be nearly as sharp as it was in the 1955-56 boom.

Spurred by a marked rise in the automobile industry, total physical industrial production will move up substantially in the next few months, and then the rate of expansion will slacken somewhat. Much of the increase will be the result of a gradual rise in manufacturers' new orders, which in turn will reflect a slow but steady improvement in capital spending and consumer buying. There will be some reaccumulation of inventories early next year.

Rising corporate profits

Although they will remain noticeably below pre-recession levels, corporate profits will rise in the coming months, encouraging more business spending for new plants and equipment. Consumer buying, especially in big-ticket durable items, will be stimulated by record personal income, which will offset some consumer resistance to a slow rise in prices. The number of employed will move up slowly but will not match the record level until some time during the latter half of next year. The rate of unemployment will continue to exceed pre-recession boom-time levels.

As the recovery continues, consumer prices will resume the slow upward climb which was halted temporarily in late Summer. This will be the result of an increase in the money supply, higher wages and production costs, and, perhaps most important, a rise in consumer buying.

The amount of money in circulation will increase as the Federal Government goes about financing its rising expenditures. The Treasury will offer bills which primarily will be purchased by commercial banks, which in turn will encourage loans to business. This will mean an increase in the money available for spending, and it will be a stimulant to price rises. The recent action of some Federal Reserve Banks raising the rediscount rate to 2.5 per cent from 2 per cent was in part intended to make borrowing a little more difficult and to restrain somewhat any rise in the money supply. When prices start rising, officials will begin to consider a further rise in the rediscount rate.

Prices inching up

As manufacturers' sales improve and profits move up, labor organizations will begin pressing for more wage hikes. To accommodate this, producers will raise their prices—a move which will be reflected eventually at the retail level.

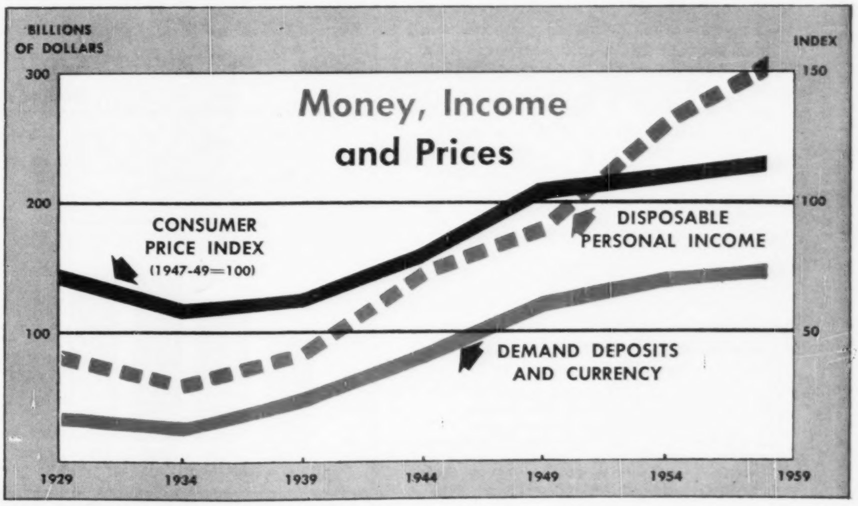
The greatest spur to this gradual rise in prices will be the steady climb in consumer spending. As memories of the recession fade, shoppers will be more interested in spending than saving. The most noticeable buying increases will be in household durable goods, and prices on those items will show the most significant upward movements. Apparel, housing, and transportation costs will edge up somewhat, but record supplies will hold food prices close to their present levels throughout the first quarter of the coming year.

Retailers are banking on a record Christmas selling season to pull overall volume for 1958 up to or slightly ahead of 1957. The noticeable upturn in consumer spending that got under way in late October will be sustained through December. Sales promotions on household durables and a marked rise in passenger car sales will boost December retail trade to a record level, but the increase will not be sufficient to help sales for the year as a whole to make much of a gain over 1957.

The most noticeable year-to-year gains this Christmas will occur in apparel, china, glassware, toys, and gifts; sales of linens, occasional furniture, and lighting equipment will match year-earlier levels. Although December volume in major appliances and living room and bedroom furniture will move up considerably over previous months, it will be down moderately compared to a year ago.

The buying of Christmas food specialties in December will push total food sales to a record level for both the month and all of 1958.

Retailers were heartened by a report that Christmas Club payments to consumers will amount to $1.4 billion compared with $1.2 billion in 1957.



AN INCREASE *in the money supply—demand deposits adjusted and currency outside of banks—will result in a slight rise in prices next year. Figures for 1958 are estimated.*

Although consumer installment credit has lagged in recent months, it will rise steadily through the first quarter of next year, reflecting a noticeable increase in borrowings for new cars. The cost of borrowing will be somewhat higher, and sales finance companies will encourage shorter terms.

Wholesalers look for gains

As consumers buy more, retailers will step up their wholesale buying, especially in durable goods and apparel. Wholesalers were pleased with the response to early showings of Summer outdoor furniture, and volume in this line will exceed year-earlier levels through the early months of 1959. The recent improvement in major appliance and television set sales will continue.

Apparel wholesalers were heartened by the high attendance at showings of Spring merchandise and the steady rate of reordering of Winter clothing. This, along with the expected rise in automobile production, has prompted much optimism in the textile industry. Orders for woolens, cotton gray goods, industrial fabrics, and man-made fibers have expanded appreciably in recent weeks, and this trend will be sustained.

Further increases in consumer buying and a recovery in business spending will prompt a gradual rise in manufacturers' new orders. The slight year-to-year gains that were achieved in early Fall will persist at least through the first quarter of 1959, with the revival in interest in durable goods accounting for much of the improvement. It must be remembered in making year-to-year comparisons that new orders began to show the effects of the recession in September 1957.

Although machine tool builders were pleased with recent increases in incoming orders, they were discouraged by the continued sharp declines from a year ago. These year-to-year dips will remain, but the gap will narrow as business outlays for new plants and equipment pick up. The machine tool industry was also discouraged by reports that Soviet exports in this line will expand sharply in the coming months.

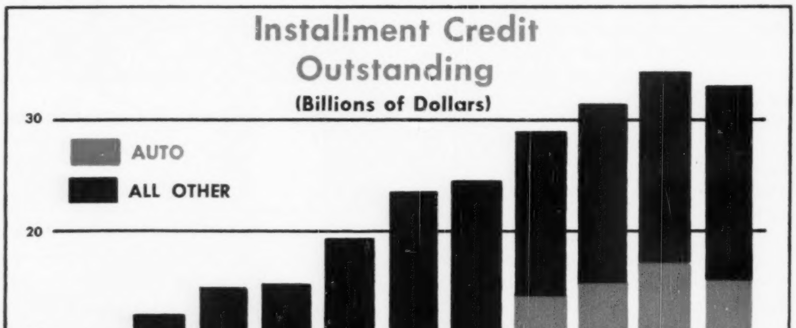
Steel production mounting

To accommodate the slow but steady rise in capital outlays, capital goods producers and the construction industry will begin rebuilding their depleted steel inventories. This and an appreciable increase in orders from the automotive producers will mean a continued rise in steel output during the first quarter of next year.

There will be the usual slight dip in steel production at the end of the year, but this will not be long lived. Steelmaking operations will be set around 80 per cent of rated capacity in the first quarter of 1959, compared with an average rate of 75 per cent in the last three months of this year. Additional support will come from increased orders from appliance manufacturers and the petroleum industry.

Much of the gloom that in recent months has pervaded the auto industry will be dispelled as sales pick up and labor difficulties are settled. Most dealers reported favorable response to the introduction of 1959 models in mid-Autumn but were caught with limited stocks in their showrooms.

Although labor disputes continued to plague the industry, automotive production moved up sharply in October and November, and further considerable rises are in prospect in the coming months. Year-earlier levels will be matched some time early in the first



FOLLOWING *a moderate decline in 1958, consumer installment credit outstanding will move up next year. Much of this increase will be due to a sharp rise in automobile credit.*

three months of 1959. The output of passenger cars for the last quarter of this year will be somewhere between 5 and 10 per cent below that of the comparable 1957 period, reflecting the labor difficulties and the attempt of auto builders to hold inventories at current low levels. Production for all of 1958 will be the lowest for any year since 1948.

Auto market improving

Auto producers look to 1959 as a year of substantial improvement. Having paid off the huge debt incurred in 1955 for automobiles, many consumers will be back in the market for new models. Some producers have showed signs of catering to a possible change in American taste by making plans to bring out their own small economy cars and distributing foreign-made models in this country.

There will be more favorable reports on production from other industries in December and the first quarter of next year. Although paperboard output will decline seasonally from the historic highs reached in mid-Autumn, it will remain above year-earlier levels, and production for all of 1958 will match that of 1957.

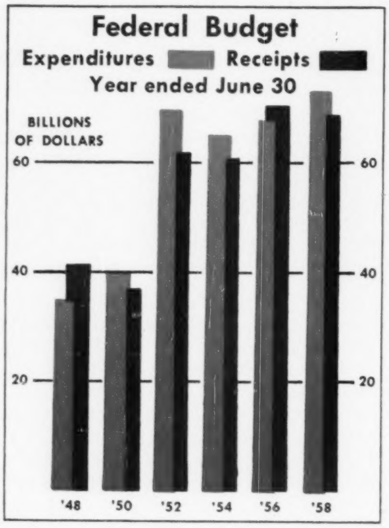
Year-to-year gains in lumber, electric power, petroleum, and most food products will be maintained, and declines from year-earlier levels in coal output will narrow.

Although still moderately below a year ago, the recent improvement in freight carloadings and an expected continued rise has brightened the railroad outlook somewhat. Inventories of maintenance equipment and supplies held by the railroads are low, and outlays for this purpose will soon rise. Another bright spot is the recent improvement in railroads' profits which will be maintained in the coming months as business picks up. No appreciable upturn in freight car orders is antici-

Weekly Business Signposts

	Latest week	Previous week	Year ago
Steel ingot production Ten thousand tons (a)	201	201	195
Electric power output Ten million KW hours (b)	124	123	120
Bituminous coal mined Hundred thousand tons (c)	86	85	91
Automobile production Thousand cars and trucks (d)	144	150	165
Department store sales Index 1947–1949=100 (e)	157	148	152
Bank clearings, 26 cities Hundred million dollars (f)	25.4	20.1	24.6
Business failures Number of failures (f)	260	274	308

SOURCES: (a) Amer. Iron & Steel Inst.; (b) Edison Electric Inst.; (c) U.S. Bureau of Mines; (d) *Automotive News;* (e) U.S. Bureau of Labor Statistics; (f) DUN & BRADSTREET, INC. Steel, clearings, and failures for the third week of November; all others for the second week.



INCREASED *spending for defense accounted for much of the recent rise in Federal expenditures. Source: U.S. Treasury Dept.*

pated before the last quarter of 1959.

To accommodate production advances, manufacturers will add to their payrolls in the middle of the first quarter of 1959. Up until then producers will attempt to lengthen the work week of existing workers. The usual seasonal rise in unemployment will occur from now until February, but it will not reach the more than 5 million level of a year earlier. The number of jobless will drift gradually downward through most of the year, but the rate of unemployment will change little as the labor force expands. The number of employed will equal the pre-recession peaks in the latter half of next year.

A pick up in industrial construction and a continued high level of commercial building, along with further gains in public outlays, especially road building, will hold over-all construction activity at a high level through the first half of 1959.

Dollar outlays for all of 1958 will be up slightly from those of a year earlier, with much of the gain ascribed to residential construction. Home building will show the usual lag in the Winter and early Spring months, and tightening of mortgage funds will restrain much of a rise for some months thereafter. Discouraged by increased charges for borrowing and higher construction costs, home purchasers will postpone their plans for home building. Housing starts for all of 1958 will be about 10 per cent over those of 1957.

This report was prepared in the Business Economics Department, DUN & BRADSTREET, INC., by John W. Riday.

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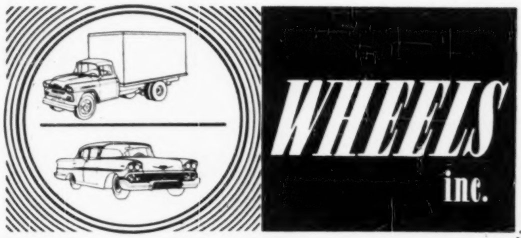

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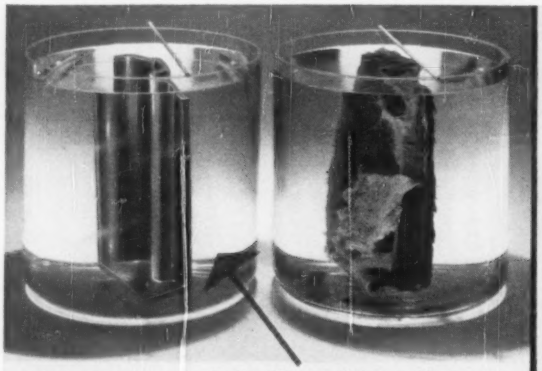
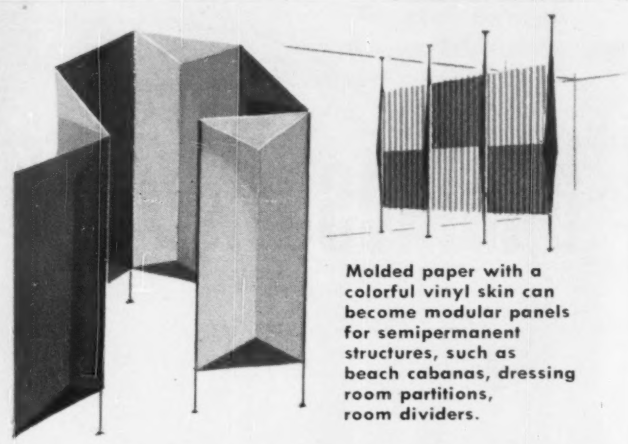
A NEW WAY TO UPGRADE YOUR PRODUCTS: VINYL COATINGS



The transparent vinyl skin on this section of a pulp-molded shipping tray makes it impervious to water.



Molded paper with a colorful vinyl skin can become modular panels for semipermanent structures, such as beach cabanas, dressing room partitions, room dividers.

Weatherproof covered pallets of paper pulp can withstand weather—could multiply warehouse space.

Vinyl-coated pulp-molded covers can make shipping containers that permit flat car shipping, and outside storage.

Colorful, leather-y coatings for molded paper

Vinyl coatings can help you develop new products made of molded paper with its attendant advantages of low-cost tooling. You can turn molded paper pulp into an altogether new material with a single spray or dip coating.

The vinyl dispersion transforms molded paper pulp into a smooth, brightly colored weatherproof, waterproof material. A "skin" up to 60 mils thick can be put over a molded paper product and heat-cured quickly into a permanent, abrasion resistant, leathery-tough film.

You can make the coating soft and rubbery or as hard as a tire casing. The vinyl coating can be glossy, satin-y, or dull; the characteristics of the skin, like the choice of color, are determined by the formulation of the dispersion.

Write for sources of vinyl in liquid form for coating paper—or sheet metal, glass, or products of wire or expanded steel. You can open new markets with new products.

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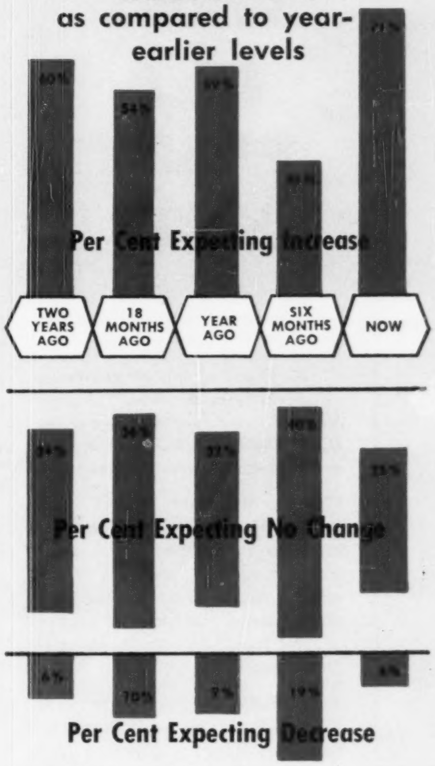
NEXT QUARTER SALES EXPECTATIONS
as compared to year-earlier levels



NEARLY three-quarters of the 1,548 business men participating in DUN & BRADSTREET'S latest compilation of business men's opinions are optimistic about their sales prospects during the first quarter of 1959. With 72 per cent looking forward to year-to-year gains, and only 4 per cent anticipating declines, the average viewpoint is more optimistic than in any such inquiry since that for the fourth quarter of 1955. During the current questioning, business men were cheered by numerous reports that over-all business activity was steadily moving upward from the recession low of last April.

A larger proportion of retailers expect year-to-year sales gains in the first quarter of 1959 than do business men in any other major classification. Three months ago this was the least optimistic of the four groups. Among manufacturers, those foreseeing increases outnumber those expecting decreases more than fourteen to one. Seventy-three per cent of the makers of durable goods expect higher sales than a year ago, and 71 per cent of the nondurables producers agree with that opinion.

Profit prospects less rosy

Although the hopes are noticeably higher than in the preceding survey, the participants are a little less cheerful concerning profits than they are about sales. A shade less than half of all the respondents look forward to increased profits, and 45 per cent expect no change from the first quarter of 1958. The "ups" are most frequently found among manufacturers of durable goods and least commonly among the retailers.

Business men intending to build up their inventories during the first quarter of next year are more than twice as numerous as those contemplating reductions. Producers of durable goods are more interested in accumulating stocks than are any of the other business men interviewed, and the proportion expecting to hold stocks at year earlier levels is highest among retailers.

Of the manufacturers interviewed, 65 per cent expect to receive more orders during the first quarter of 1959 than they did a year earlier. This compares with 52 per cent who, three months ago, saw prospects for increased orders in the fourth quarter of 1958. This time 70 per cent of the makers of durables and 60 per cent of nondurables producers foresee gains.

Holding the price line

The majority of the executives expect to hold their selling prices at first quarter 1958 levels. This is especially true among nondurables manufacturers and retailers. Wholesalers and makers of durables most frequently expect to raise their prices over a year ago. Currently, 24 per cent of all the participants are considering moving up their price levels, while last quarter the figure was 17 per cent.

Eighty-one per cent of the respondents say they will need as large a workforce in the first quarter of 1959 as they did a year ago, while 13 per cent expect increases, and 6 per cent look forward to declines. Expanded payrolls are most often contemplated by manufacturers of durables and least often by retailers. The proportion expecting no year-to-year change is highest among retailers and wholesalers.

In interpreting the results of this survey, it should be remembered that the answers are not a forecast, but an indication of the views held by a representative group of business men when the survey was made late in October.

—JOHN W. RIDAY,
Business Economics Department

THE FIRST QUARTER OUTLOOK

A COMPARISON OF 1959 WITH 1958
Percentage breakdown of opinions expressed

	ALL CONCERNS			MANUFACTURERS			WHOLESALERS			RETAILERS		
	Increase	Same	Decrease	Increase	Same	Decrease	Increase	Same	Decrease	Increase	Same	Decrease
SALES	72	24	4	72	23	5	70	27	3	74	21	5
PROFITS	49	45	6	53	40	7	47	48	5	43	53	4
PRICES	24	72	4	21	74	5	29	67	4	19	77	4
INVENTORIES	26	62	12	27	60	13	27	62	11	21	66	13
EMPLOYMENT	13	81	6	18	76	6	10	85	5	8	86	6
NEW ORDERS	..	..	..	65	31	4	..	..	..	..	..	..

Failures .. **Latest trends in business casualties**

Small Business Casualties Climb

OCTOBER business failures ended a six-month decline by climbing 22 per cent to 1,271, but their dollar liabilities continued down to $47 million, the lowest volume this year. These contrary trends reflect the concentration of the month's upturn among small-size trade concerns. Casualties with liabilities under $5,000 rose to a post-war high, whereas failures above $100,000 dropped to the lowest level so far in 1958.

While the number of failing businesses, some 13 per cent above a year ago, stood at a 25-year peak for October, this toll must be viewed in the perspective of our growing commercial and industrial population. Casualties occurred this October at an annual rate of 57 per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*. Up moderately from 52 in the previous year, the rate remained less severe than the 73 per 10,000 in prewar 1939.

In all types of businesses, casualties were heavier than in September, but the sharpest increases centered in retailing and wholesaling. Tolls climbed in nearly all retailing lines; more apparel stores succumbed than in any month since April, and a steep upturn prevailed in the automotive group, boosted mostly by filling station, garage, and accessory store casualties.

Compared with October last year, manufacturing and construction mortality remained about the same; the only marked increases occurred in the machinery industry and in general building contracting. In contrast, retail and wholesale failures surged 21–25 per cent ahead of 1957 levels. Most of the wholesale rise centered in building materials. On the other hand, retail casualties ranged above last year in all lines except drugs. General merchandise stores and eating and drinking places suffered the most severe increases.

All regions except the Mountain States reported a September-to-October rise. Middle Atlantic and East North Central failures ran a third higher, and West South Central were up 50 per cent. From 1957, tolls rose in seven of nine regions.

FAILURES BY DIVISION OF INDUSTRY

	Cumulative total January–October 1958	Cumulative total January–October 1957	Liabilities in million $ 1958	Liabilities in million $ 1957
MINING, MANUFACTURING...	2305	1990	207.7	163.8
Mining—coal, oil, misc...	69	61	12.1	9.0
Food and kindred products.	171	157	15.8	10.6
Textile products, apparel...	437	413	29.5	24.4
Lumber, lumber products..	450	414	28.3	20.6
Paper, printing, publishing.	159	117	7.8	8.9
Chemicals, allied products.	53	49	2.9	4.4
Leather, leather products..	86	54	12.2	6.2
Stone, clay, glass products.	56	47	9.8	2.0
Iron, steel, products......	148	91	14.9	25.8
Machinery..............	242	195	23.7	18.8
Transportation equipment.	61	58	14.2	7.1
Miscellaneous............	373	334	36.5	25.9
WHOLESALE TRADE.........	1205	1026	66.1	66.5
Food and farm products..	284	240	17.2	15.2
Apparel.................	54	38	2.6	2.4
Drygoods................	42	27	1.2	1.0
Lumber, bldg. mats., hdwre.	156	118Ⓡ	11.3	7.0Ⓡ
Chemicals and drugs......	40	37Ⓡ	0.8	1.3Ⓡ
Motor vehicles, equipment.	55	60Ⓡ	1.7	2.9Ⓡ
Miscellaneous............	574	506	31.3	36.8
RETAIL TRADE............	6449	5822	194.3	157.9
Food and liquor.........	947	925	22.0	20.7
General merchandise.....	250	237	9.9	10.5
Apparel and accessories...	1011	977	26.7	20.4
Furniture, furnishings.....	921	860	38.5	32.6
Lumber, bldg. mats., hdwre.	435	403	13.7	11.9
Automotive group........	926	728	33.6	18.2
Eating, drinking places....	1216	1051	32.5	23.7
Drug stores..............	142	134	3.6	3.3
Miscellaneous............	601	507	13.8	16.7
CONSTRUCTION............	1810	1737	95.6	91.2
General bldg. contractors..	727	657	50.7	51.3
Building subcontractors...	982	979	34.2	31.6
Other contractors........	101	101	10.7	8.3
COMMERCIAL SERVICE.......	992	911	50.8	37.7
TOTAL UNITED STATES.....	12,761	11,486	614.5	517.1

Liabilities are rounded to the nearest million; they do not necessarily add up to totals.
Ⓡ Revised.

THE FAILURE RECORD

	Oct. 1958	Sept. 1958	Oct. 1957	% Chg.†
DUN'S FAILURE INDEX*				
Unadjusted.......	54.5	46.5	48.9	+11
Adjusted, seasonally	57.4	53.4	51.5	+11
NUMBER OF FAILURES	1,271	1,039	1,122	+13
NUMBER BY SIZE OF DEBT				
Under $5,000.....	232	143	176	+32
$5,000–$25,000....	586	447	522	+12
$25,000–$100,000..	360	342	334	+8
Over $100,000....	93	107	90	+3
NUMBER BY INDUSTRY GROUPS				
Manufacturing....	215	187	214	+0.5
Wholesale trade..	124	96	99	+25
Retail trade......	657	506	544	+21
Construction....	176	163	176	0
Commercial service	99	87	89	+11
LIABILITIES (*in thousands*)				
CURRENT...........	$47,268	$48,103	$47,428	− 0.3
TOTAL.............	47,298	49,565	47,564	− 0.6

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.

† Percentage change, October 1958 from October 1957.

In this record, a "failure" occurs when a concern is involved in a court proceeding or in a voluntary action likely to end in a loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supply companies, or the governments; they do not include long-term publicly held obligations.

This report was prepared in the Business Economics Department by Rowena Wyant.

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POTOMAC EXPOSURE

How Business Men Feel About Government Service

Whatever they may think of "the business man's government," few business men would give up an executive suite in industry for a desk on Capitol Hill. Yet many executives who have held Federal posts find them personally rewarding, even helpful in advancing their careers when they return to industry.

MOST AMBITIOUS executives would jump at the chance to work for an organization which claims 175 million stockholders, owns some of the best real estate on the globe, runs the largest retirement and disability insurance operation in the world, and boasts as its chief executive the President of the United States. Yet not many American executives exhibit much enthusiasm about devoting time to Government service.

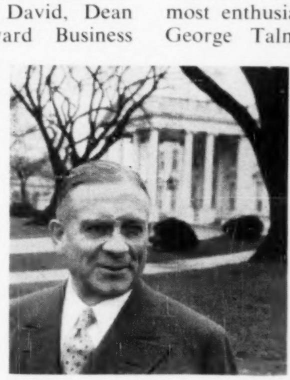
It's true that the Government has lured some top management talent to Washington from time to time. But a recent report of the Harvard Business School Club of Washington, D.C., reveals that the Government has been singularly inefficient in recruiting business men and in convincing them of the rewards of Government service.

A democracy, the report points out, depends for survival on the willingness of a capable, enlightened citizenry to participate in public service. Moreover, the business man's participation in Government is often to his immediate self-interest. Donald K. David, Dean Emeritus of the Harvard Business School, warns that "if business men do not take a more active interest and participate in Governmental regulation of our free enterprise, then unreasonable guidance of our system will be as much their responsibility as it is of those who direct it unreasonably."

The Harvard report maintains that "although the Eisenhower Administration has been called a 'business man's government,' it has had an exceedingly difficult time getting the kind of business men it wants." A survey of DR&MI Presidents' Panel members bears this out. The answers of top industrial leaders to the question, "What would you do if you were offered a job in Washington?" showed that, although they are freely critical of the Government's management methods and policies, few company presidents would welcome the chance to make or implement Government policy themselves.

More than half, in fact, thought they would turn down an offer to work in Washington. Many of these did add, however, that refusal or acceptance would depend on what kind of job they were offered or "the seriousness of the situation at the given time." At least a quarter of the Panel said they would agree to part-time service with the Government. But only a sixth would be willing to give up their corporation posts for full-time Federal jobs.

All the same, the Harvard report shows that many executives who have worked in Washington found their work unusually rewarding. Probably the most enthusiastic comment came from George Talmadge, vice president of Pacific Transport Lines, who said he "wouldn't have missed the experience for a million dollars."



ONE *firm believer in Government service by business men is Clarence C. Randall, former board chairman of Inland Steel and a special adviser to the President on foreign trade.*

R. S. Howe, president of the New Britain Machinery Company, New Britain, Conn., "believe(s) it is a great privilege to be able to serve the Government." Robert A. Lovett, partner of Brown Brothers, Harriman & Company, New York, enlarged on his feelings about Government service. He accepted a post in 1940,

he says, because he felt a war was coming on and his specialized knowledge of aircraft production might aid the Government. Although his motives were patriotic, Mr. Lovett thinks that even in peacetime the business man gains satisfaction and valuable knowledge from Government service.

Most of the business men surveyed by the Harvard group were motivated either by a sense of duty, a chance to enhance their personal prestige, or a combination of the two. The largest single group, 89 per cent, said they were motivated by the opportunity for public service. Almost one-fourth said they took a Federal job to enhance their future prestige, while 13 per cent thought of it as a personal distinction at the time. The opportunity to learn procedures for future business benefit was the reason given by 22 per cent.

The price of service

The Harvard report indicates at least two areas of misinformation: when business men are most likely to go into Government, and how much they give up when they do. Evidently the near-retirement age of those BMG's (the report's abbreviation for business men in Government) most in the public eye has created the impression that BMG's are near or at retirement age. However, the report shows that the average BMG is 45 years old when he enters Government service, under 50 when he leaves.

Another error is the belief that most business men make great financial sacrifices to take a job with the Government. Obviously, business men in top management must and do take tremendous financial losses. But, as the report points out, the top management man and the man near retirement age are presumably financially secure, and their motives for taking a Government job are seldom connected with money.

Most BMG's found the practical experience their Government training gave them valuable. A striking one-third returned to better jobs than they had left, and almost half thought their background of service advanced their business careers.

Most of the men—74 per cent—returned to the same company. Of those who went elsewhere, 14 per cent said their Government work helped them to find a new job.

On the whole, the comments of former Treasury Secretary George Humphrey best sum up the feelings of the men surveyed in the Harvard report: "Industry should learn that it is for its own good to lend men to Government. It insures their having people who understand Government, its ways and methods, and so can facilitate any dealings their companies may have with the Government." —NAOMI ELLENBOGEN

Mr. Schneider and "silent partner" dine at one of New York's most celebrated showplaces, The Tap Room of Keen's English Chop House.

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Needed: Engineer-Managers

ALSO: ***Synthetic Wood; Wear-proof Floors; Cleaner Switches***

WHILE MUCH of the excitement about the general shortage of technical people has died down as a result of the recession, a new survey of the nation's leading corporations by Hoff, Canny, Bowen & Associates, Inc., New York, shows no current slackening in demand for top-notch engineers and scientists with managerial ability. Seventy-eight per cent of the 612 companies questioned report they are finding it difficult to fill their needs in this area.

The shortage, which is generally interpreted as indicating a substantial future demand for new plants and greater production capacity, is most severe in the Great Lakes region. Overseas demand remains high. Opportunities for women in this field are also rising, but nearly half the companies surveyed still hesitate to place women in top technical jobs.

The three greatest specific shortages currently reported are in mechanical engineering, industrial engineering, and chemistry.

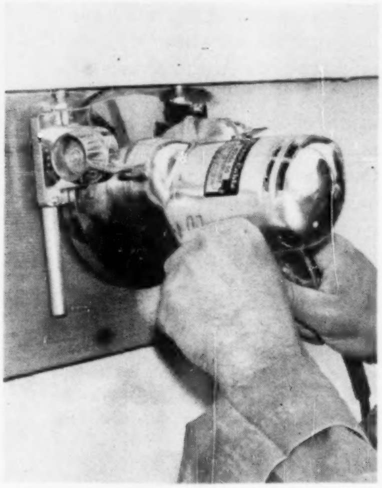
Although there has been some slackening in the general demand for less high-priced technical talent, another new survey indicates a 25 per cent increase in technical manpower needs by 1968. Among executives in 500 top companies surveyed by the Scientific Apparatus Makers Association, 27 per cent expect their needs in this area to double, and 13 per cent will need between 50 to 100 per cent more technical men.

Ersatz Wood

During World War II, the Nazis developed a synthetic flour out of wood sawdust. Now an American researcher has developed an ersatz wood out of Portland cement. About the same density as many common woods, the substitute material can be sawed, nailed, or glued. It is also fireproof and rot-proof and won't expand in humid atmospheres. It can be cast, too, thereby eliminating many of the hand operations required to finish wood.

Now in pilot-plant production at

CURTAINS FOR COOLNESS: *This glass curtain wall easily installed in offices and factories lets in sunlight but excludes the sun's heat. When this Owens-Illinois panel is screwed into place it is automatically sealed against wind and weather.*



PAINTING PRELIMINARY: *A new portable electric tool, made by Porter-Cable, uses tungsten carbide discs to remove old paint rapidly from wooden surfaces without gouging, thereby speeding the processes of preparing surfaces for a new coat of paint.*

BEATING THE HEAT: *Half-inch thickness of fibrous potassium titanate protects hand of Du Pont chemist from 2,000° F flame. Claimed to be twice as effective in the 1,300° to 2,100° range, volume for volume, as any other known insulating material, the experimental product may offer a solution to vital space-age heat insulation problems.*

Wells Manufacturing Company, South Bend, Ind., the ersatz wood was developed at Battelle Institute.

Improvements Underfoot

A number of new cost-cutting floor surfacing, finishing, and cleaning products for factories, stores, warehouses, and offices have recently reached the market.

"Permatop," a new structural surfacing material claimed to be harder than concrete, has been introduced by Permagile Corp., Woodside, N.J. It forms a good bond to old masonry and resists corrosion. Applied in thicknesses of 1/16-inch or more, it can be walked on in a few hours. Cost runs around 25 cents a square foot of surface.

A new urethane floor finish that is supposed to wear three times longer than varnish is being marketed by Du Pont. It collects little dirt because of extreme hardness and gloss. Although more expensive than common finishes, the new urethane finish should be cheaper in the long run.

Minnesota Mining and Manufacturing has produced a new non-slip, resilient covering that is supposed to outwear conventional floor covering. Laying the new covering is simple—a protective backliner is stripped off, exposing a pressure-sensitive adhesive, so that the covering can be pressed down on a clean, dry surface. The same company also has introduced a new labor-saving floor cleaning and maintenance system. Polishing and scouring pads made of nylon web are the key.

"Chem-Break," a new solvent for Portland cement and other masonry,

made by Lee, Revere, and Van Buren Chemical Company, Kansas City, Mo., should be useful in removing old masonry floors. Although a jack hammer is still needed, the breaking job is considerably accelerated.

Less Motor Maintenance

The common problem of the faulty starter switch, cause of one of every three single-phase motor failures, may soon be a thing of the past. A new "self-cleaning" starter switch has been developed by A. O. Smith Corp., Milwaukee, for its line of 1/4- to 3-hp single-phase motors, which includes most of the small sizes widely used in plants. The new sealed-in switch should greatly cut motor maintenance costs.

Patience Pays Off

One characteristic of our technology is that eventually we seem to find a use for almost every supposedly worthless material. For example, two engineers in the airframe industry have found an application for a glass that dissolves in water. Before titanium is heat-treated, it is coated with this formerly useless glass. In the furnace the glass coating protects the titanium from contamination. After the treatment, the coating is simply washed off.

High-Strength Steel

A new steel with good ductility at loads one-third greater than those which presently available alloys can take has been made in experimental quantities. Expanding on a four-year-old Dutch discovery, a team of metallurgists at the Ford Scientific Laboratory, Dearborn, Mich., have turned out the new steel in hunks big enough to test. This steel has a very creditable 8 to 10 per cent elongation at 400,000 pounds per square inch tension. —M. M.

CUTS PAINT CHARGES: *The Sands Manufacturing Company, Cleveland, cut paint bills on water heaters by two-thirds by replacing air spray guns with this new Ransburg electrostatic spray gun.*

Management's Job in

MEETING THE TEST OF RECOVERY

WHAT IS top management's biggest job in 1959? You can ask that question almost any year and get answers that vary only in emphasis from those of the year before. But from all we can foresee of 1959, it seems quite certain that the coming twelve months will provide a unique test of management vision and strength.

To understand why this should be so, let's take a brief backward look. A year ago, industrial leaders were apprehensive about the outlook because of the general slowdown in business. The collapse of auto sales echoed throughout the heavy industry areas. Employment was sagging, exports declined, and manufacturers' sales slowed down as processors and suppliers began to live off their accumulated inventories. The constriction of purchases affected not only items in oversupply, but also those in short supply, a process which stripped the shelves of retailers and wholesalers alike and left consumers with a narrowing range of choice.

Fortunately, the public had more confidence than the merchants and manufacturers, and sales held up at the retail levels. It soon became apparent that this was a depression in durables—with little or no effect on agriculture, processed foods, chemicals, or proprietory items—and a regional one at that.

What had threatened to become a deep sag in the economy turned out to be a transitory dip. The bottom was reached between March and April, and with the renewal of interest in private housing and a sustained price level in food and farm products, confidence returned.

Meanwhile, management had taken advantage of the lull to demand a careful examination of all parts of the body economic—a searching and critical look at company capacity and performance. This check-up, long overdue in many companies, resulted in some painful but healthy changes—changes in executive and supervisory jobs; improvements in factory management, with special attention to obsolescence in methods as well as machines; changes in inventory warehousing and transportation; changes in marketing, with a second look at all catalog items and their profit potential; changes in sales and advertising methods, with specific attention to the engineering as well as psychological aspects of winning customers; changes in the attitude of union and non-union workers, with the resulting productivity increases and slower turnover.

With these gains made and measured in dollars and cents, with a lower break-even point and a better profit potential, business looks to 1959 with this question: Can we hold the gains of 1958? A nationwide check of manufacturers, distributors, and bankers indicates the expectation of a gradual rise in business activity, one that will avoid the penalties that attend a boom. What business men see ahead is a period in which there will be enough competition to hold prices down, enough competition for jobs to maintain a healthy labor market, enough competition for equity capital and credit support to encourage thrift and discourage inflation.

If this is the outlook for 1959, it means everyone in management and labor will have to plan better and produce more, to share in a prosperity which is founded on the solid substance of creative effort.

Management recognizes that consumption is the test of prosperity, just as profits are the test of executive talents. Management is also aware of its responsibility to the consumer and his needs. It is a demonstration of executive talent when a company can maintain its profit cushion on consumer goods sales—and still allow for the rise and fall of defense spending as war scares flame and fade. But there is really no other choice. We must live on the volcano's edge as we have done for many years without losing our alertness to danger.

As the new year approaches, it's a good time to hang up the sign BUSINESS AS UN-USUAL and to apply the old basic principles to new products, new methods, and new customers. 1958 offered a valuable refresher course in management essentials and the fundamentals of buying and selling—1959 will determine how well we learned our lesson.

DR&MI invites you to look ahead at the business horizon through the trained eyes of our staff editors and contributors. We believe that the evidence, the experience, and the opinions presented here will help you in making profitable decisions for the year ahead.

—THE EDITORS

Management's Job in

Recession-toughened management will wage a hard fight to win its share of increased 1959 business. Here is a new survey report on business's topside strategy for strengthening profits in the face of rising costs and stiffening competition.

I. PROSPECTS AND PROBLEMS OF '59

A Survey of Company Presidents

KENNETH HENRY *Executive Methods Editor*

THOUGH balance sheets this year will hardly reflect it, genuine gains have been made by many companies during the recession shakedown. Such recession-instituted measures as closer cost control and better streamlining of organizations and functions are expected to make a significant difference in next year's profit margins—even in companies that may not set new sales records. The economic setback—now regarded by most authorities as a natural dip in a long growth climb—was severe enough to force management to take a fresh look at its ways of doing business. With improved efficiency and better business, management expects to consolidate some hard-won gains—and see them begin to pay off.

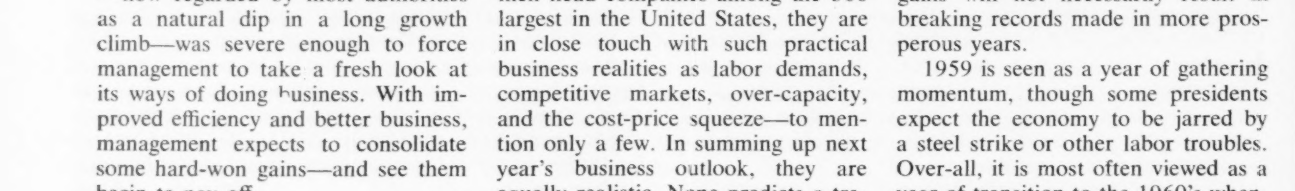
All but a handful of the industrial leaders just polled by DR&MI believe that business next year will show marked improvement over 1958. But a recession-seasoned top management also expects to work harder than in previous good years to earn its share of better business and to broaden present profit margins.

This is the consensus of the 109 company presidents, all regular members of the Presidents' Panel, surveyed for their views on the year ahead. Since three out of four of the men head companies among the 500 largest in the United States, they are in close touch with such practical business realities as labor demands, competitive markets, over-capacity, and the cost-price squeeze—to mention only a few. In summing up next year's business outlook, they are equally realistic. None predicts a tremendous upsurge of business in 1959. More likely, they are inclined to think, business will stabilize at, or slightly above current levels and that the national economy will continue a slow but steady rise. Their optimism is considered, cautious, and often qualified with comments that "no all-out boom should be expected."

But 94 per cent of the responding presidents expect 1959 to be a good business year—or at least better than 1958. In many cases, this is not saying a great deal—and the expected gains will not necessarily result in breaking records made in more prosperous years.

1959 is seen as a year of gathering momentum, though some presidents expect the economy to be jarred by a steel strike or other labor troubles. Over-all, it is most often viewed as a year of transition to the 1960's when, barring war, genuine boom years may develop.

Not long ago, General Motors' new



board chairman, Frederic G. Donner, prefaced his own company's confident business forecasts with the comment that while "you don't pay dividends on expectations . . . no company would be worth its salt if it did not expect to better its position in the year ahead."

When polled on its own expectations, management traditionally anticipates its own company will make bigger gains than the industry or the economy as a whole. Holding to this tradition, the company presidents queried by DR&MI overwhelmingly expect their own companies to do better next year—to exceed moderately their own industry's rise and the over-all national rate of economic growth.

Forecasting 1959's gains

Exactly one-fourth of the men polled were willing to hazard an estimate of their sales gains in 1959. The percentages range from a low of 2 to a high of 50 per cent and shake down to an average 10-13 per cent increase for the group giving figures. But several companies in this group point out that the improvement is being measured against "a very poor year," and is a comparative rather than an absolute gain.

Other companies look for "modest or gradual" improvement and a year that is "slightly better in billings—much better in bookings." But the real net gains of 1959 are more likely to develop from such recession-spurred measures as cost cutting, increased efficiency, modernization, tighter scheduling and inventory control, and new product development, as these and similar programs begin to pay off.

That profit margins have declined steadily over the past few years can be substantiated by many sets of figures. Among them are those reported by the Federal Trade Commission on all U.S. manufacturing corporations. In the second quarter of 1956, profit after taxes per dollar of sales was 5.5 cents. In the same quarter of 1957, it was 5.0 cents, and, by the second quarter of this year, it had slipped to 3.8 cents. Even before the recession, management was giving renewed attention to profit margins, with special emphasis on cost control in every area of the business. Next year may see the tide turn.

Almost two-thirds of the company presidents surveyed expect to end next year with substantially improved profit margins—with increases ranging from 1-5 per cent (the most often mentioned figures) to as high as 50, 70, and 100 per cent in a few cases. In large companies, typical of those in the current survey, it is obvious that an improvement of even a few percentage points may spell substantial dollar gains.

Slightly less than one-sixth of the industrial leaders queried expect next year's profit margins to match this year's. More than one company sees in improved 1959 profit margins the difference between loss and break-even. A few companies—about 5 per cent—expect slightly narrower margins.

According to the survey findings, management is planning to give top priority next year to the improvement of profit margins. Cost-reduction programs begun last year will continue to receive rigorous attention, with emphasis on strict budgets, improved methods and procedures, and further modernization and mechanization of office and factory equipment where possible. Many companies plan to step up sales training and recruit more capable men, as well as giving closer scrutiny to the sales force. Incentive plans also will be overhauled.

Here are some representative comments on the three crucial top-management problems of 1959 and how management plans to approach them:

- Problem No. 1: *The profit squeeze.*

One president, noting his company's "inability to raise prices . . . under the pressure of rising costs, principally wages," says his concern "plans to combat this situation through strong emphasis on additional mechanization, automation, and simplification of work flow. In some major areas, it may become necessary to downgrade our standards of maintenance as long as we can be assured that this will not result in deterioration of the caliber of our services to customers."

Another company is using this approach: "Starting in the Fall of 1957 and continuing through '58, we have overspent depreciation by a consid-

"Our Nation Is Already Falling Behind..."

As president of the American Management Association, Lawrence A. Appley sees the problems of industry from a unique vantage point. Here is his answer to DR&MI's question, "What are the most critical challenges to U.S. management this year?"

"In addition to the same age-old problems it always has in varying degrees, management in 1959 will face two problems of a different kind: One will be to maintain, during a dramatic upturn in business, the constructive gains that have been made during a recession. The other will be the problem of plant obsolescence, aggravated by a year's suspension in capital improvements.

"Many managements, whose companies suffered during the recession, learned some valuable lessons, took some drastic action, cut out waste and fat, and discovered that it was costing them far more money to do business than it had to. As business rapidly improves and the psychology of the nation and of companies changes, it will be extremely difficult to maintain the gains that have been made and to observe the lessons that have been learned the hard way.

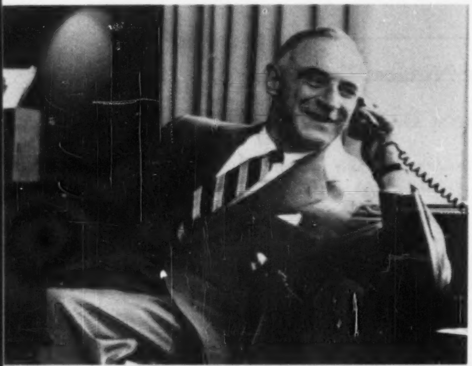
"Plant obsolescense in the United States, accentuated during the past decade by over-expansion, has reached a point where our nation is already falling behind several others in efficiency of plant and machinery. Even though we still have more capacity than needed, much of it is outmoded, and the inclination will be to use this plant as demand increases rather than build new, up-to-date facilities. Management may not only be hesitant about returning to pre-recession levels of capital expansion, but be unwilling to face up to the requirement for higher levels in order to replace outdated equipment even though it might be comparatively new."

II. Key Industrialists Look Ahead

Despite sharp individual differences, every business concern shares with others some common problems, both internal and external. A dozen top industrial leaders have been asked by DR&MI to voice their views on such matters of common management concern as . . .

- Probable impact on business of the forces which are now gathering on the national and international scenes.
- How far and how fast recovery will go in the next twelve months.
- Management's key problems next year—and how they will be tackled.

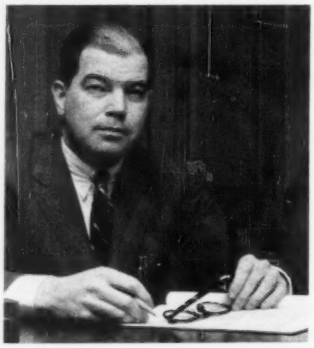
Here are some highlights from their replies:



Gen. Lucius D. Clay, *chairman of the board,* CONTINENTAL CAN CO., INC.: *The threat of continuing inflation overshadows all other current economic problems. We can cope with it successfully only if labor and agriculture join with industry in holding the line on prices, wages, and other costs.*

Frederic G. Donner, *chairman and chief executive officer,* GENERAL MOTORS CORPORATION: The continued restoration of consumer confidence in the economy may be a crucial factor for business in 1959. Management, therefore, must continue to look ahead and continue to take risks.

Robert G. Fairburn, *president,* DIAMOND GARDNER CORPORATION: *Sound credit controls wisely applied and a balanced budget are the best solutions to the inflation problem. The economy should improve rapidly and substantially until restrained by more credit controls. . . . We intend to use better selection techniques and development programs to meet a need for high-quality middle management.*

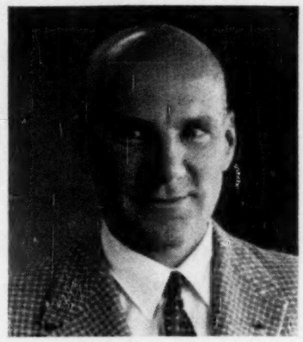


Glen B. Miller, *president,* ALLIED CHEMICAL CORPORATION: *As business improves, the chemical industry perhaps will do a little better than industry generally. Existing over-capacity should disappear in a few years. Two problems are always with us —offsetting continually rising costs and keeping high-quality management replacements coming along as needed.*

John T. Connor, *president,* MERCK & CO., INC.: 1959 seems to promise further business improvements. However, the absence of pent-up consumer demands comparable to those in the postwar era and excess capacity in most important industries will tend to make the upward curve a gradual one.

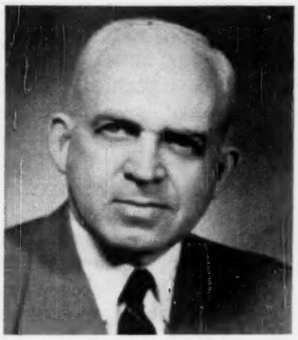
Walther H. Feldmann, *president,* WORTHINGTON CORPORATION: *There should be irregular but sustained improvement in 1959 and 1960, if the tendency toward inflation is checked by some restraint by labor leaders, substantial reduction in Government deficit spending, and non-inflationary refinancing of the Federal debt.*

Joseph A. Grazier, *president,* AMERICAN RADIATOR & STANDARD SANITARY CORPORATION: The unrestricted monopoly of labor unions is the major external problem. The economy as a whole will reach a plateau, if it has not already done so, and it will be several years before we begin to stretch our existing productive capacity.



Oscar G. Mayer, Jr., *president,* OSCAR MAYER & CO.: *The current low level of inventories, high consumer purchasing power, and increased Federal and state spending should provide for expansion in the economy. Industrial production and gross product levels should be higher in late 1959 than at the 1957 peaks.*

Dr. W. G. Malcolm, *president,* AMERICAN CYANAMID CO.: Increased productivity is our priority job for 1959. We face fierce competition for the sales dollar, higher material and labor costs, and a consequent pressure on profits. We expect to get as much as possible from every operating dollar.



E. R. Broden, *president and chairman of the board,* SKF INDUSTRIES, INC.: The business rise we are now entering will continue through 1960. Since future markets will be more competitive, we will attack the problem of holding costs in line with a multi-pronged effort to improve management efficiency and operating techniques.

John A. Hill, *president,* AIR REDUCTON CO., INC.: *We must keep our economy and business prepared to meet the economic consequences of change in the international situation with a minimum of upheaval. We also face the significant problem of maintaining operating efficiency gains made during the recession.*

Clifford J. Backstrand, *president,* ARMSTRONG CORK CO.: Although the general outlook is quite favorable, we're not counting on an all-out boom in 1959. We will concentrate on attaining more rapid and profitable growth through new product development and deeper sales penetration by more effective production and selling.

erable margin to lower manufacturing costs further. Also, we have increased advertising on some products and done more intensive sales planning (and selling) to increase turnovers and mark-ups."

A third company president, anticipating "a good year productionwise," expects that 1959's highly competitive market will "preclude much relief in the form of price increases. We intend to meet this situation by keeping pressure on overhead costs and minimizing capital outlays, except those which offer substantial immediate cost reduction."

• Problem No. 2: *Rising costs.*

Some cost pressures, such as those of labor and materials, for example, are beyond management's power to control entirely. But within their companies, industrial leaders report, they will continue "analyzing carefully all of our costs, direct and indirect, to see if they cannot be materially reduced." Inventory control and order processing, with some expected help from computers, will get increased management scrutiny.

One company president, whose operations are in a heavily industrialized Northeastern city, is contemplating relocation to fight "rising labor and material costs, plus stiffer competition from low-wage domestic and foreign areas. . . . It may be necessary to move operations to a low-wage area, such as the South or Puerto Rico, and also buy parts from abroad, notably Japan."

• Problem No. 3: *Selling and Marketing.*

To boost sales, some companies see the answer in "additional manpower, more advertising, more sales promotion." A number of companies plan to reorganize their sales departments, be more selective in the hiring of salesmen, train men more intensively, increase sales planning, and sell harder and more selectively. Says one man, "We expect to concentrate more in the sales area and develop salesmen who sell, and don't just take orders." Many companies also expect new products to bolster sales.

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Management's Job in

Improved profits loom brightly in year-ahead forecasts, but marketing men, this DR&MI survey shows, will continue to stress cost control while boosting sales volume.

III. The Coming Year in Marketing

ALFRED G. LARKE, *Senior Editor*

To strengthen 1959 profit margins, salesmen will be encouraged to concentrate on big customers, high-profit products.

Recession-bred reductions in selling costs will be continued to meet competitive pricing problems.

Sales and marketing methods will be revamped to find new markets and move new products.

Many companies plan decentralization of sales and marketing functions.

SALES and marketing executives expect greater profitability for their companies in 1959 than in the year just ending, and they expect to achieve it by a number of methods, chief among which are:

Tackling the competitive pricing problems by

- dropping unprofitable products and unproductive distributors and salesmen;
- introducing new products with higher profit potentials;
- motivating the field force to sell more for profit than for volume;
- maintaining economies of production, selling, and overhead costs that were learned the hard way during the recession.

Improving the efficiency of the sales field force by

- continuing to weed out the deadwood;
- intensifying sales training and retraining with emphasis on the selling of quality and high-profit items and lines;
- new and better salesman-selection methods;
- new incentive systems designed to provide bonuses for new accounts or to compensate on the basis of profitability of the sale, or both.

Reorganization of sales and marketing functions, often with a greater customer orientation and with marked decentralization of authority in the actual selling field.

Concentration on major customers and their needs, in some cases with personal attention from top company executives.

Search for new and more profitable markets, usually through market research, with a number of companies venturing into the foreign field for the first time to boost volume.

These are the standout points in the responses of sales executives to a DR&MI survey of their major problems in 1959, what they expect to do about them, and the lessons they have learned as a result of the recession. Overwhelmingly optimistic as regards their own companies' immediate futures (see box on page 64), they do, however, have some reservations about predicting the course of the general economy in the coming year.

One example of a company that has rebuilt its whole marketing organization virtually from the ground up is the Union Carbide Plastics Company, which even changed its name a couple of months ago from the Bakelite Company, a division of Union Carbide Company.

After a year of studying all facets of its sales department and interviewing its customers and employees, Union Carbide Plastics came up with an organizational plan that decentralizes sales activities while at the same time centralizing specialized marketing functions such as market development, product development, advertising, and promotion.

As J. L. Rodgers, new director of sales, explains the move: "One of the biggest complaints of the customers was the fact that too many major and even minor decisions had to be checked back with the New York office, a time-consuming matter. The field salesman, in a number of cases, just couldn't move fast enough. We needed a sales operation that could provide fast action based on a pretty close knowledge of local problems.

"Probably the most important part of the change we've made is the establishment of six semi-autonomous regional managers. These men will have the broad decision-making powers, right in the field, to move as quickly as necessary to meet competitive situations."

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IV. Labor Outlook: Tougher Going in '59

HORACE E. SHELDON

As the recession fades into history, labor is flexing its economic muscle in readiness for next year's bargaining.

WHATEVER good news 1959 may bring on the economic front, business men can be sure of one thing—their labor problems are going to be just as complex as ever. In fact, with the dual encouragement of better business conditions and a hospitable political climate, labor can be expected to press its case with greater vigor on all fronts in the coming year. Since an understanding of the recent past probably is the best guide to the immediate future, let's first assess what happened in the labor field in 1958. These things stand out:

- Organized labor, though thrown on the defensive by the McClellan Committee investigation and bedeviled by schisms and clean-up problems, has come through the year with its basic strength substantially intact.
- At the bargaining table, labor scored no dramatic new breakthroughs, but over-all the unions had the economic muscle to maintain the fast pace of their wage and benefit increases almost unabated right through the recession.
- On the organizing front, new unionization has not kept pace with the growth of the workforce, and, overall, labor's drive to organize the unorganized is still bogged down.
- Labor's political influence, which essentially continued undiminished all along despite the damaged prestige of the unions, has been further enhanced by the November elections.
- And—potentially very important—there have been solid indications of the emergence of a more positive and aggressive employer attitude, not only in collective bargaining but in public affairs as well.

Labor isn't slipping

Each of these developments casts its shadow into 1959 and will be weighed by the alert company as it plans its handling of labor matters in the new year.

First of all, if any employer has the notion that the unions are on the run and can be dealt with on that basis, he had better dispel it. Much has been made of Walter Reuther's surprisingly modest performance in the auto negotiations this year, as well it should. He had to back down altogether on two much-ballyhooed goals: the four-day week and profit sharing. The package he came out with—renewal of cost-of-living and productivity escalators on wages, moderate improvements in SUB and pension-benefit formulas, and miscellaneous other fringes—upped the carmakers' labor costs less than any other settlement in the post-war period. In fact, one management spokesman called it "practically non-inflationary."

But it would be wrong to infer any basic deterioration in the United Auto Workers' strength as an organization. Circumstances simply did not favor Reuther this year. He was up against a sick car market (and a stouter employer negotiating stance) and had to give ground. Given a return to the more favorable bargaining climate the UAW has enjoyed in other years, there is no good reason to think Reuther may not score again just as tellingly as in the past.

So it is with other unions. The failure of any big union to smash through with a trail-blazing bargaining "first" in 1958 should not obscure the more significant fact that, on the average, organized labor showed remarkable negotiating strength in the face of the recession. Before business began to slide in 1957, negotiated increases were running around 9-11 cents an hour, over-all. Early this year, before things began to pick up, the unions were getting only a penny or so less. A U.S. Labor Department tabulation of 105 negotiated wage increases each affecting 1,000 or more workers for the first three months of 1958, the worst stage of the recession, showed

that 60 per cent were for 9 cents or more.

Coming during a period when many companies were cutting down on everything from executive salaries and expense accounts to paper clips and typewriter ribbons, this is impressive testimony to the power of the unions' bargaining punch under adverse conditions. No matter how bleak the balance sheet, management was usually reconciled to coming through with another wage hike. It's become that strong a habit each year.

And the unions racked up these substantial gains with the fewest strikes of any year since the end of World War II.

Unemployment and the upturn

In looking ahead, we have to make certain assumptions to set our frame of reference. The central factor, of course, is the business climate. The upturn we have been experiencing in the past half year is likely to continue. It may be, however, that we will go on having a relatively high level of unemployment—even as high as 4 million persons. This would be 1.5 million more unemployed than we have come to consider normal in good times.

What influences on his operations can the business man expect under these circumstances?

Generally it looks as though conditions will be reasonably hospitable to a continuation of the upward wage-price spiral. If wage advances drove prices up during the recession, what's to keep them from doing so next year? Union moderation? The restraining influence of the McClellan disclosures? New, restrictive labor laws? More vigorous, effective employer resistance?

As for the union stance in 1959, with business generally profitable, labor organizations certainly are going to bargain aggressively for all they can get. One company president aptly capsulizes the outlook this way: The labor problem next year will be essentially the same old story—"demands for increased wages and fringe benefits that have not been justified by productivity improvement."

An "abnormal" number of unemployed workers will not act as much of a brake on what the unions can deliver. Time and again union groups have shown more interest in improving job standards for those who are still working than in adjusting their demands to increase the number of jobs the industry can support. The coal industry is a good example. John L. Lewis has been quoted as saying he decided it was better to have "half a million men working in the industry at good wages and high standards of living than . . . to have a million working in the industry in poverty and degradation."

A continuing stimulus to more wage hikes in 1959 is the "built-in" annual wage boost in contracts covering some 4 million workers. According to AFL-CIO economists, in 1958 almost 2 million employees received from 7-9 cents an hour more under these plans, which are intended to make wages reflect some arbitrarily assumed rate of improvement in productivity. One and a half million workers got 9 cents or more. This is over and above the automatic increases which contracts in key industries provide to compensate for cost-of-living hikes as they occur.

These provisions will tend to set a bargaining floor or starting point for the wage demands of all unions next year.

The Senate Select Committee investigation led by Chairman John McClellan (D., Ark.) has jarred the unions and jarred them badly. Labor's parent federation declared war on corruption when it threw out the Teamsters. But we've yet to see whether the house of labor will be reserved only for the pure in heart. The culmination of the clean-up drive is not yet in sight, and headaches aplenty remain for AFL-CIO President Meany in dealing with other unions.

To the employer, however, the significant thing is that the McClellan investigation probably already has done its main damage to the unions,

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Threats to Labor Peace in 1959

Top management expects it will have to come to the bargaining table next year firmly resolved to hold the line. Reason: better business will encourage heavier union demands for wage boosts and increased fringe benefits. Here are some of the major labor-management problems that members of the DR&MI Presidents' Panel foresee for next year, and their present plans for meeting them:

"Labor-management problems in 1959 are likely to be of the same nature that they have been for several years—demands for increased wages and fringe benefits that have not been justified by productivity improvement. The problems are likely to be intensified as competitive market conditions force management to resist these demands more forcibly than they have been resisted in some earlier years."

"Our chief concern is departmental seniority where changing products require different skills. We shall meet the problem by a retraining program wherever possible."

"We are concerned at the impact of forthcoming union negotiations involving steelworkers, with McDonald trying to outdo Reuther. These involve us directly in seven plants where we have steel prices resulting from negotiations in Big Steel."

"Labor rackets are always with us. Business men must participate in politics."

"We are concerned by grievances relative to labor contracts and the encroachment of unions on management control. Before grievances develop, we will try to explore them and contact the business agent at local level through our own labor personnel."

"Our main concern is ways and means of obtaining higher productivity. We plan to do this by (1) maintaining and improving our labor relations climate, (2) negotiation with unions to relax unreasonable work restrictions, and (3) research into longer-range opportunities in this direction."

"In the last ten years, white-collar workers have not done so well salary-wise as production workers have done wage-wise. Plans are to make a start on closing the present gap."

"The growing variation in the costs of labor within our industry is serious. This is the result of individual company bargaining and the fact that many small companies are not unionized. A difficult problem to meet."

Management's
Job in

V. What to Expect from Washington

JOSEPH R. SLEVIN

The climate of U.S. business in the year ahead is certain to be affected by the political weather in Washington. Here's a special post-election analysis of coming developments of interest to industry on the Congressional front.

AS THE ECHOES of the harsh campaign invective fade away, it's plain to see that the radicals are not in control of Congress and the reactionaries are not running the White House.

True, there have been changes, and there will be more to come. But the mood of Washington and the temper of the Government continue to reflect the moderate, somewhat complacent, middle-of-the-road attitude of the American people.

The Democrats will control the new 86th Congress when it meets next month, just as they controlled the last Congress and have controlled all but two Congresses since 1932. Their margin of control is bigger than it was, and the more liberal Democrats have greater weight in their own party—and therefore in Congress—for their numbers have increased. But still it's the Democrats who will organize Congress, not the "radicals" that Vice President Nixon and President Eisenhower were denouncing during the campaign.

It always takes time to recover from our biennial partisan binges. The Democrats didn't use their domination of Congress to confiscate property or to socialize industry during the past four years. Neither did President Eisenhower raise tariffs or try to repeal the Social Security Act after he entered the White House in 1952. As a matter of fact, he did the opposite. He lowered tariffs and liberalized the Social Security program.

None of this is to suggest that the new 86th Congress won't be more liberal than the outgoing 85th. It quite certainly will be. It's equally certain that Mr. Eisenhower will continue to be more conservative than Congress.

More Federal involvement?

But the Republican President and the Democratic Congress are heading in the same general direction. The plain fact is that the domestic activities of the Federal Government have grown during Mr. Eisenhower's first six years in the White House, and there is every reason to expect that the growth will continue during the next two years.

The huge Federal interstate highway program was launched during the Eisenhower Administration. A spanking new Federal education program was established, and a precedent-setting program of Federal help for the unemployed was initiated. Disabled workers have been authorized to draw Social Security benefits for the first time. The railroads won a big loan guaranty program, and the President unsuccessfully urged Congress to enact a costly new mining subsidy plan. The Reconstruction Finance Corp. was put into liquidation, but a large new Small Business Administration took its place.

The Administration has blocked some Congressional moves that were designed to enlarge the Federal Government's activities. It has adamantly refused to go ahead with Federal development of atomic power plants. The President this year vetoed a high farm-price support bill and a measure to aid depressed areas.

On some occasions Congress has given the President more than he wanted. On others it has given him less. The aid-to-education bill that was enacted by the last session of Congress provided much less than Mr. Eisenhower had asked—though perhaps not less than he really wanted. The unemployment compensation measure was less generous than the one the President originally proposed.

Welfare and the Administration

Most of the welfare programs that were on the books when Mr. Eisenhower entered office have been broadened during the past six years. In addition to the liberalization of the Social Security program, the minimum wage has been raised to $1 and the coverage of the wage law has been extended to more workers. Federal aid for private housing has been made more generous year after year. Slum clearance has been stepped up, but a rigid ceiling has been placed on the public housing program. The expansion of dramatic Federal power projects has been checked under the Administration's so-called "partnership" policy, but construction has been started on a multitude of additional smaller Federal power programs. Mr. Eisenhower is a firm believer in local responsibility. But not one major Federal program has been turned over to the states.

What will the major issue be in the new Congress? Key politicians in both parties have a ready answer: "The

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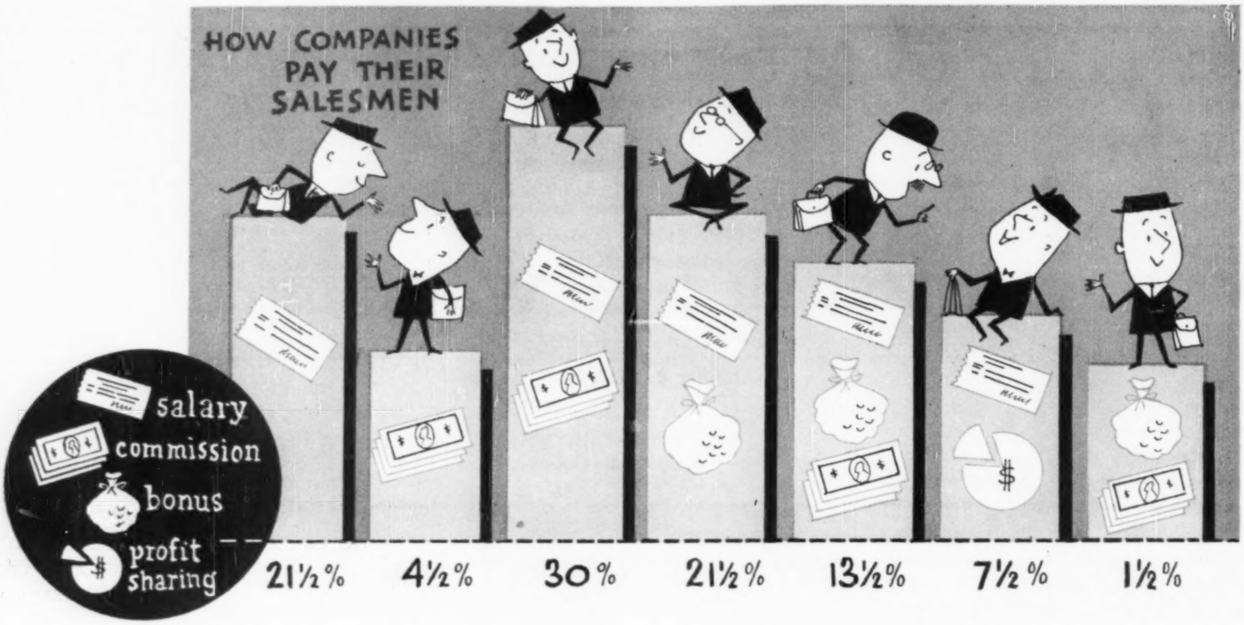

Gearing Sales Pay to Today's Markets

A DR&MI Survey

AARON STERNFIELD

How to put more pep in the saleman's paycheck is a growing concern of management today. Premium pay for over-the-quota performance is just one of the incentive plans being revised to meet current sales problems.

HOW IMPORTANT a part the salesman plays in our economy was clearly demonstrated during the late, unlamented recession. While management, caught between falling sales and rising costs, took drastic measures to reduce and eliminate expenses, the salesman emerged from the budget cutting unscathed. In fact, he actually earned more money in the face of declining sales.

Management was willing to increase the salesman's share of the profit pie on the premise that the recession would be short-lived, and that the gamble would pay favorable odds when business activity returned to normal. And that, it now seems clear, is just what has happened.

A recent DR&MI survey discloses that nearly 60 per cent of the business concerns studied expect 1958 sales to be below last year's, while only 30 per cent anticipate any increase.

Yet more than 40 per cent of the companies say that their salesmen will be earning more money this year than last, and less than a quarter of the companies see decreased 1958 earnings for their salesmen.

Management seems determined to keep its sales force at full strength. Some 86 per cent of the companies surveyed say they made no reductions whatever in their sales staffs during the recession. Nearly a third say they plan to expand their sales forces in 1959, and another 20 per cent report that expansion plans will be put in effect as soon as business conditions improve.

To retain good salesmen—and to insure that they operate at near-peak efficiency—managements are giving greater attention to compensation plans which provide for both incentive and security.

Reduced to its simplest terms, straight commission represents incentive, while straight salary represents security. But many companies have learned that a blending of the two—often with a bonus arrangement added to the mixture—can satisfy both needs. The ratio depends on the product and the salesman.

Straight salary and straight commission as sole bases for salesmen's compensation plans appear to be on

the way out. According to DR&MI's survey, only 21.5 per cent of the companies pay straight salary, while another 6 per cent pay either straight commission or commission plus bonus.

This compares with Dartnell Corp. surveys taken in 1952 and 1955, showing the percentage of companies paying straight salaries dropping from 18 to 15.3 per cent. As the Dartnell figures covered all types of salesmen (the DR&MI figures are largely confined to salesmen working for manufacturers and not selling to the retail trade), the trend away from straight salaries seems clear. Also, a 1958 survey by the National Sales Executives, Inc., disclosed that only 14.3 per cent of companies in the industrial field pay their salesmen by straight salary.

Salary plus commission favored

The DR&MI survey shows that a combination salary and commission arrangement is the most common method of compensating salesmen, with about 30 per cent of the concerns using this system. The Dartnell survey showed that 20 per cent of the companies used this method in 1952, while the figure jumped to a third of all companies three years later. Compensation plans based partly but not wholly on salary are used by nearly two-thirds of those surveyed by DR&MI.

Many managements believe a compensation plan based wholly or partly on salary makes the salesman less likely to switch jobs. That this policy has met with a large measure of success may be inferred to some degree from the DR&MI survey, which shows that slightly more than half the companies had turnover rates of less than 5 per cent this year.

Of course, the recession may have had something to do with this surprisingly low turnover rate. A salesman is less likely to give up a fairly steady income on the gamble that he can do better with another company when times are bad.

Extending the fringes

Another reason salesmen aren't job-hopping so freely these days is the extension of fringe benefits to the man on the road. A recent American Management Association survey indicates that the salesman is treated much like any other employee when it comes to vacation, retirement, and insurance benefits. The AMA survey, based on 32,000 salesmen, showed that 90 per cent of the companies have retirement plans for their salesmen and nearly all provide life insurance, hospitalization, and surgical benefits. More than 80 per cent of the companies give three weeks of vacation after extended employment, and more than a third of the companies offer a fourth week for salesmen with twenty or 25 years' service.

The DR&MI's survey indicates that about 80 per cent of the business concerns provide pensions and some form of insurance for their salesmen. Many of the pension systems are delayed profit sharing. But others are set up independently of such plans.

Generally, the insurance covers hospital and surgical fees, but many companies also take out life insurance policies for their salesmen. More than 90 per cent of the companies surveyed have insurance of some sort for their sales staff.

About 10 per cent of the concerns cite stock-option plans as a fringe benefit calculated to increase the salesman's interest—and his financial stake—in the company.

One company whose stock is listed on a major exchange has a stock purchase plan under which the company matches the salesman's contribution of up to 10 per cent of his salary. Another company encourages its salesmen to buy U.S. Government bonds by supplementing the bond purchases with company stock after five years.

Several companies list the company car which the salesman is permitted to have for his personal use as a fringe benefit. With the need for buying a family car eliminated, the salesman is several hundred dollars a year to the good. This practice, though not widespread, appears to be growing.

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What Spurs the Salesman?

Experts on customer motivations, salesmen respond to many inducements themselves—some of which don't involve money.

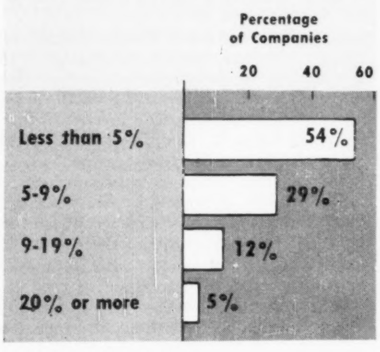
A current National Sales Executives, Inc., survey shows that the great majority of industrial companies motivate their salesmen to greater productivity with such inducements as sales contests, personal contacts with the man and his family, recognition devices such as the Distinguished Salesman Award, house-organ and trade-publication publicity for outstanding achievements, and bringing the salesman into company planning and development.

Management also believes, the NSE survey found, that salesmen work harder when they feel they have a chance for advancement to the upper echelons of the company. About 80 per cent of the concerns surveyed say they promote salesmen to managerial positions with fair regularity.

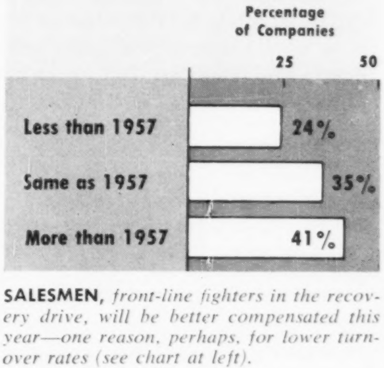
Only a small percentage of the more than 300 companies that replied to the NSE survey report using money—and only money—in the form of salary, bonuses, and commission, as a means of spurring their sales forces on to over-the-quota performance.

Turnover on the Sales Staff

(Annual Rates in Responding Companies)



Anticipated 1958 Salesmen's Earnings



SALESMEN, *front-line fighters in the recovery drive, will be better compensated this year—one reason, perhaps, for lower turnover rates (see chart at left).*

In most companies, the board of directors is a pool of diversified talents—yet corporate management does not always make the most of it. In this concluding part of a special DR&MI Panel report begun in the November issue, the top executives of some leading U.S. corporations suggest ways in which presidents and boards may work together more effectively.

THE BOARD OF DIRECTORS AT WORK

Part II of a Special Presidents' Panel Report

KENNETH HENRY

- ***Careful advance planning wins board approval for 93 per cent of the president's proposals.***
- ***Presidents challenged by the board would reassess position, stand, fight, win—or resign.***
- ***Directors must be completely informed on company operations and long-term objectives.***
- ***Rubber-stamp boards are useless. Constructive criticism sharpens management's proposals.***

AS THE balance wheel between operating management and the stockholders, the board of directors is a mechanism that usually requires skilled handling by the president if it is to work properly. Company presidents say that two factors chiefly influence the board's usefulness in advising management: how interested it is in the company's welfare, and how well it understands the company's operations and problems. Frequently, of course, the president may recommend candidates for the board and can thus help to insure that only interested men are invited to join it. But seeing to it that the board is well informed is within the president's power to a much greater degree. As many industrial leaders point out, no board of directors can give advice and guidance that are better than the information it gets from the president.

But how intimately does the board need to be acquainted with the company's affairs to question or ratify management's decisions and plans?

In its advisory capacity, of course, the board needs to know enough that is already a matter of record to analyze trends and judge the probability that objectives will be met by steps the company is now taking or proposing. In its legal function, the board needs at least a full fiscal accounting of the recent past and present profit-and-loss picture and a well-documented forecast of the long future. Deciding what information to give a board composed wholly or predominantly of inside directors is rarely much of a problem. However, for boards with some or all of the voting balance among outside men, more information must be provided. What—and how much? Says one president, summing up the typical Panel view: "Enough to gage the effect or the effectiveness of company's operation and ability of management. Not enough to manage."

Sound board decisions, panelists point out repeatedly, must be based on complete data—as much "as it is possible to have them absorb on the important aspects of our business." Also, many presidents believe the board should be "reasonably acquainted with officers and top key men." Here is a comprehensive view of how much the board should know:

> I think I should emphasize that, in my opinion, management has an important responsibility in insuring that our outside directors know not only the facts of the business in respect to new products, order patterns, financial condition, and the like, but also have a good knowledge of the management set-up. They should know how responsibility is delegated to line and staff officers, our strengths and weaknesses at these levels, whether or not there is a man behind each man, and, finally, a picture of our top men in each operating unit. . . . The responsibility of directors is not only to consider policy questions in respect to

How Presidents Meet a Challenge from the Board

While, to a man, the successful presidents who are serving on the DR&MI Panel deny that it has ever happened to them, they have vigorous ideas about what they would do if their own influence with their boards were challenged.

"If the outside challenge comes from a bona fide stockholder, it should receive due attention. However, stockholders have their day at the annual meeting. If the challenge comes from the outside, it is none of their damn business. If the challenge comes from inside the board, the difficulties should be amicably and effectively reconciled. If this is impossible, the president should resign and the board find someone to take his place."

"The majority of the board must back him or oust him."

"If I lost my influence with the board, I would resign. In any single project, if I cannot convince every member of my board that the project is sound and acceptable, I withdraw it."

"Very serious. I could not tolerate for long. Would remain quiet, even if not calm; assess; and if necessary, correct my own position; poll my support; and either meet the challenge and achieve satisfaction or resign."

"It is part of the measure of an executive's competence that he exercise leadership in the areas of his responsibility. If he isn't capable of doing so, more than his influence should be challenged."

"If it is justified, he had best look at himself and his policies rather than spending energy in politically fighting the challenge."

"Have a show-down and clear-cut understanding of the responsibilities and duties of the president."

"By giving in on the unimportant matters—and fighting through the important ones."

operations, but also in respect to people. On the latter point, they must be prepared to select the next chief executive officer. But to insure the right selection, they must be familiar with the managerial organization through which such a man will emerge.

Presidents say they practice what they preach and "give the board very complete information" on all major fiscal matters, such as cash and property needs, current and long-range budgets and forecasts, and statements of profit and loss, sometimes consolidated, more often broken down divisionally. Presidents also provide comparisons with the competition, evaluations of the market, and—almost always–explanations of deviations from past plans and policies and of performance that has fallen short of or exceeded objectives. In the majority of companies, financial information is given to board members, at least once a month, in writing, or, if the board meets more often, sometimes orally.

Rarely does a company president alone assume—or wish to assume—the full job of reporting to the board. Frequently, he invites key members of his team to report formally on their own spheres of responsibility or to answer any specific questions the board may put. In most companies, financial executives do all the fiscal reporting to the board. Other specialists, such as sales and research executives and legal counsel, are also often invited to be present when the board meets.

The practice of having members of the president's team share the reporting job varies considerably in large industrial companies. Some presidents use "almost every meeting as an occasion to expose key men to the board. It is a fine two-way street." At the other extreme, key men are introduced "about once every two years to discuss their job for ten minutes." In some companies, non-director management is introduced only to those board representatives on the executive committee when it meets. Two major benefits, according to the responding presidents, are realized by presenting company executives, at least intermittently, to the board: specialists give authoritative answers to the specific questions of an inquisitive board, and the board can evaluate the quality of the men who carry out its plans.

It is probably with this in mind that more than eight out of ten Panel presidents encourage individual contacts between directors and members of their management teams. One president states an important proviso: "As long as major inquiries on major company policies are discussed with me subsequently, so that I can be informed as to the directors' thinking in these respects." Not all presidents, of course, desire much if any direct contact between their boards and their subordinates, and about one in seven men actually discourages such contacts, although none admits to prohibiting them. But a few presidents believe these contacts may develop conflicts in operating instructions and damage morale.

Executive committee functions

Slightly more than three-fourths of the Panel have executive committees staffed by board members. The rest—23 per cent—have no such committees because they are family companies, have all-inside boards which are easily able to meet frequently, or for other reasons.

continued on page 44

AMONG THE DR&MI PANEL MEMBERS ARE THE PRESIDENTS WHOSE PICTURES APPEAR AT RIGHT. A COMPLETE LIST WILL BE FOUND ON PAGE 64, DR&MI, NOVEMBER 1958.

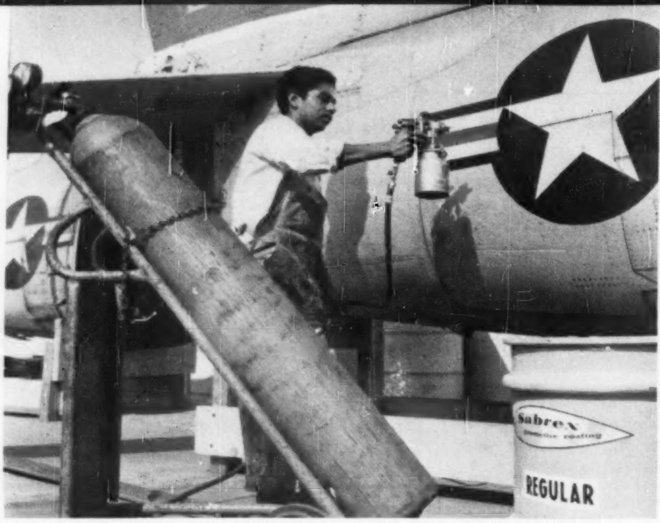
Daniel Peterkin, Jr.
Morton Salt Co.

A. M. Tredwell, Jr.
Sharon Steel Corporation

William E. Reid
Riegel Textile Corporation

John C. Cairns
The Stanley Works

H. B. Atwater
Marine Products Div., McCulloch Corporation



PROTECTIVE COATING: *Developed to protect aircraft, "Sabrex" coating can also be sprayed on parts, assemblies, and machinery in temporary storage. This low-cost corrosion protection can be made under license from North American Aviation, a company with an active licensing program.*

HIGH-SPEED CHEMISTRY: *Analyzing chemicals from coke-ovens in only fifteen minutes at Jones & Laughlin with a "Partitioner." Invented by Gulf Oil researchers, the instrument is made under license by Fisher Scientific.*

Profiting from Other People's Research

MELVIN MANDELL, *Industrial Editor*

Valuable inventions from the R&D lab, mere frosting on the cake for the giant corporation, can be meat and potatoes for the small licensee.

DEVELOPING profitable by-products to a company's main line of goods is a time-honored industrial practice, so vigorously pushed in some companies that production managers can now demand that an end use be found for all inflowing raw materials, right down to "the squeal of the pig."

But there's a new, largely untapped area for by-product development: the thousands of research, development, and engineering laboratories of the nation's big manufacturing companies. In the course of solving their companies' major problems, scientists and engineers are continually developing new instruments, components, production machines, preservants, packaging and materials handling equipment, and a myriad of other supplemental devices—even special office furniture. Although most of these hand-made machines or specially formulated materials can suit only the situations that called them into being, many have wide applicability.

Scores of companies, realizing the potential earning power of these R&D by-products, are licensing them or setting up special small divisions for their manufacture and marketing, as illustrated by the photos on these pages. If the development is licensed, the licenser not only gains an income, but also frequently buys the commercial, mass-production version from the licensee, at great savings over home-made costs.

A few companies have soundly-established programs for developing income from the by-products of research. One of the oldest was set up more than ten years ago at American Viscose Corp., Philadelphia. Its energetic Patent Development Department has sought out qualified licensees for such varied inventions as a lead-cladding machine for steel, an inexpensive, improved grinding wheel, and a semi-automatic wrapping table. The latest is a moisture tester for cellophane, licensed to F. F. Slocomb Corp., Wilmington, Del. Fees are based on extent of use and are set to guarantee a return on investment to the licensee. Typical fees demanded by other companies range between 1 to 2 per cent of sales.

North American Aviation, Inc., Los Angeles, has also set up a special office to arrange licensing of these by-product developments to small manufacturers.

Other companies with possible deals for licensees are: Boeing Airplane Company, Seattle, Wash.; Du Pont, Wilmington, Del. (write to Patent Dept.); General Motors Technical Center, Detroit; Radio Corporation of America, New York (write to Director of Licensing); Standard Oil Company of Indiana, Chicago, Ill. (contact Philip C. White, General Manager, Research and Development Dept.); Union Carbide Corp., New York (contact Patent Dept.); U.S. Rubber Company, New York (contact Leland M. White, Director, Research and Development Dept.).

Esso Research & Engineering Company, Linden, N.J., also has such pigeonholed patents, but it is largely interested in licensing them to companies that will become Esso raw material customers as a result of such licensing.

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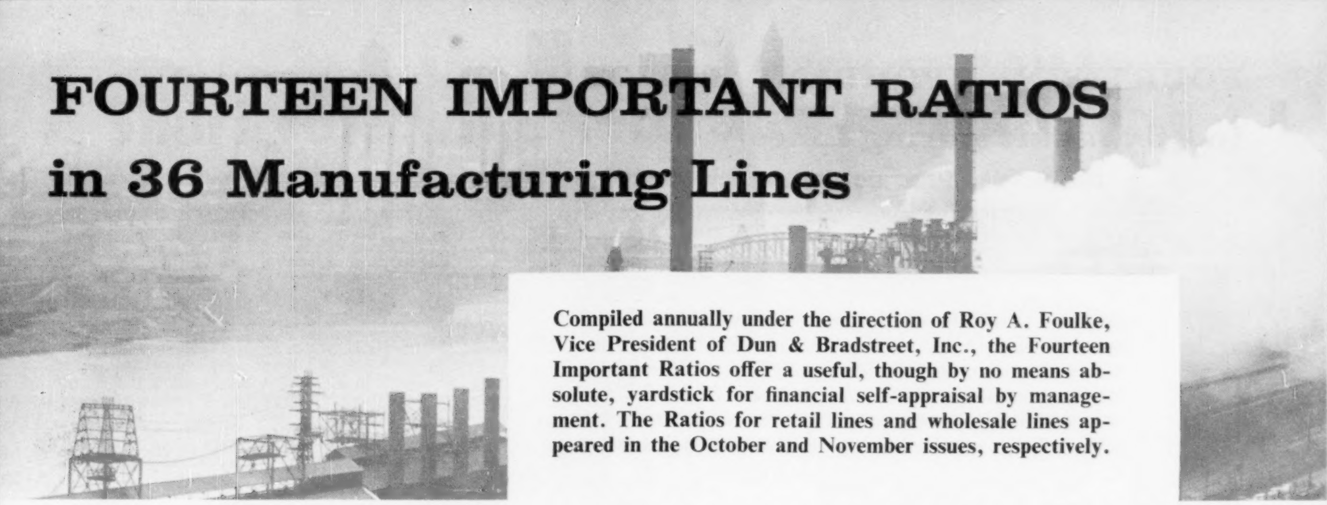

FOURTEEN IMPORTANT RATIOS in 36 Manufacturing Lines

Compiled annually under the direction of Roy A. Foulke, Vice President of Dun & Bradstreet, Inc., the Fourteen Important Ratios offer a useful, though by no means absolute, yardstick for financial self-appraisal by management. The Ratios for retail lines and wholesale lines appeared in the October and November issues, respectively.

Line of Business (and Number of Businesses)	Current assets to current Debt	Net profits on net sales	Net profits on tangible net worth	Net profits on net working capital	Net sales to tangible net worth	Net sales to net working capital	Average collection period	Net sales to inventory	Fixed assets to tangible net worth	Current debt to tangible net worth	Total debt to tangible net worth	Inventory to net working capital	Current debt to inventory	Funded debts to net working capital
	Times	Per cent	Per cent	Per cent	Times	Times	Days	Times	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
FOR 36 MANUFACTURING LINES—1957—MEDIANS AND QUARTILES														
Airplane parts and Accessories (38)	2.45 **1.97** 1.35	5.09 **3.14** 1.98	19.71 **12.05** 5.37	31.14 **21.73** 8.58	5.68 **3.83** 2.51	10.53 **6.67** 4.92	26 **40** 56	11.0 **6.0** 3.9	29.9 **49.8** 67.8	31.1 **75.4** 137.2	51.1 **95.5** 180.8	80.2 **105.1** 172.2	77.8 **110.8** 167.9	11.8 **36.6** 53.0
Automobile Parts and Accessories (70)	4.6 **3.01** 2.20	5.91 **3.75** 2.11	14.21 **10.24** 4.96	26.02 **17.22** 9.26	3.20 **2.45** 1.88	6.01 **3.69** 3.10	25 **32** 40	8.1 **5.8** 4.1	21.2 **35.8** 51.9	18.3 **29.2** 48.3	35.9 **52.5** 81.0	56.7 **79.0** 105.3	46.1 **72.6** 92.0	11.4 **26.8** 47.0
Bedsprings and Mattresses (65)	6.79 **3.71** 2.37	4.63 **2.61** 1.44	15.07 **6.27** 4.98	15.34 **10.11** 7.34	3.14 **2.71** 1.87	5.56 **4.51** 3.23	24 **44** 63	10.1 **7.2** 5.3	19.4 **26.9** 44.3	12.0 **24.4** 33.7	32.2 **47.6** 71.2	45.8 **59.4** 91.2	32.5 **61.1** 97.5	11.9 **21.9** 44.9
Bolts, Screws, Nuts, and Nails (55)	5.09 **3.10** 2.20	5.97 **5.10** 1.19	16.78 **10.11** 3.62	29.94 **19.74** 8.72	3.38 **2.80** 1.86	7.50 **4.38** 3.30	20 **24** 31	8.2 **5.1** 4.2	34.9 **45.7** 64.5	15.3 **22.5** 41.3	42.7 **79.6** 118.7	55.6 **75.7** 100.5	44.0 **66.4** 102.5	38.2 **54.2** 88.3
Breweries (40)	4.06 **2.71** 1.96	4.38 **2.52** 0.72†	13.03 **5.58** 1.66†	39.69 **15.37** 2.21†	2.83 **2.36** 1.96	10.93 **8.26** 5.17	8 **18** 30	26.8 **19.5** 13.2	55.9 **68.5** 85.1	14.0 **18.5** 30.0	22.0 **33.4** 50.8	32.7 **46.8** 65.1	72.1 **129.0** 206.7	22.5 **44.2** 90.6
Chemicals, Industrial (67)	3.64 **2.87** 2.09	8.20 **5.27** 2.80	13.24 **10.04** 7.21	32.67 **22.31** 12.54	2.76 **1.94** 1.46	6.33 **4.35** 3.25	31 **37** 42	7.9 **6.7** 5.3	34.8 **56.6** 81.7	18.8 **26.3** 39.8	41.4 **53.6** 73.2	48.1 **65.3** 95.6	60.7 **89.1** 133.9	19.8 **43.4** 64.3
Coats and Suits, Men's and Boy's (194)	4.12 **2.48** 1.76	1.77 **0.59** 0.11	7.96 **2.64** 0.46	9.68 **3.46** 0.56	6.29 **4.39** 2.85	7.42 **5.24** 3.27	26 **46** 75	7.7 **5.4** 4.1	2.7 **6.1** 15.8	26.7 **57.8** 118.8	57.9 **108.0** 222.6	50.3 **81.9** 120.7	51.6 **82.7** 131.7	9.2 **25.6** 44.0
Coats and Suits Women's (79)	3.32 **2.15** 1.60	2.08 **0.54** 0.05	9.82 **4.70** 0.33	12.11 **6.28** 0.43	11.78 **6.53** 4.29	15.86 **8.70** 5.16	26 **30** 43	20.6 **14.0** 16.1	4.0 **7.6** 14.6	33.1 **71.3** 129.9	101.3 **114.7** 186.2	46.3 **72.7** 123.1	84.7 **121.1** 174.8	12.5 **32.9** 80.0
Confectionery (42)	4.64 **2.72** 2.16	2.89 **1.74** 0.14	9.33 **6.93** 0.35	23.13 **11.16** 0.54	4.82 **3.02** 2.53	11.67 **6.70** 4.01	15 **18** 27	10.7 **6.8** 5.7	32.7 **42.4** 61.6	15.0 **26.0** 47.5	43.4 **52.9** 69.6	54.5 **74.8** 104.9	48.1 **72.8** 105.8	13.6 **27.1** 39.8
Contractors, Building Construction (179)	2.71 **1.73** 1.35	3.08 **1.56** 0.81	15.79 **10.68** 6.09	33.45 **17.33** 10.69	11.53 **5.98** 3.47	18.81 **9.90** 4.53	**	**	10.4 **22.8** 42.9	37.1 **81.1** 167.2	59.1 **148.4** 230.5	**	**	10.3 **18.6** 38.7
Contractors, Electrical (51)	3.10 **2.43** 1.73	6.53 **3.69** 1.58	27.33 **17.70** 12.58	34.85 **22.99** 14.71	6.22 **5.05** 3.65	8.66 **7.48** 3.92	**	**	5.9 **13.8** 25.7	41.4 **53.9** 96.7	58.4 **116.3** 167.0	**	**	15.4 **29.2** 45.1
Cotton Cloth Mills (47)	7.41 **4.62** 2.55	3.46 **1.21** 0.13	7.32 **2.17** 0.15	13.51 **7.35** 0.76	2.08 **1.63** 1.30	6.32 **3.58** 2.39	9 **37** 46	5.1 **4.2** 3.1	37.4 **50.0** 63.3	9.1 **16.9** 33.1	27.4 **39.7** 90.0	64.4 **81.0** 119.5	22.8 **38.7** 70.2	15.2 **24.1** 44.4
Cotton Goods, Converters, Non-Factored (43)	7.54 **2.74** 1.73	1.40 **1.02** 0.13	5.51 **2.62** 0.54	6.38 **2.65** 0.64	5.14 **2.99** 1.98	4.98 **2.71** 2.07	17 **38** 50	7.4 **5.0** 3.4	0.6 **1.1** 3.5	14.3 **45.2** 134.0	.... **....**	50.7 **77.4** 92.8	26.0 **66.3** 133.3	.... **....** ....
Dresses, Rayon, Silk, and Acetate (99)	2.75 **1.92** 1.49	1.35 **0.63** 0.23	16.38 **7.17** 1.48	23.20 **11.06** 1.72	15.71 **11.47** 8.35	19.35 **14.67** 10.16	24 **32** 39	34.5 **19.7** 15.2	4.2 **7.7** 13.8	43.3 **89.2** 169.3	102.3 **144.6** 231.5	30.2 **61.6** 117.9	113.9 **195.8** 294.9	20.4 **44.1** 70.8
Drugs (43)	3.82 **2.85** 2.19	12.80 **9.45** 3.30	25.00 **18.87** 9.82	37.40 **31.48** 11.48	2.73 **2.08** 1.58	4.53 **3.35** 2.39	33 **38** 51	7.9 **5.5** 4.4	15.6 **34.3** 38.8	15.6 **34.1** 44.8	32.9 **52.7** 68.0	46.5 **62.8** 83.6	53.1 **90.0** 118.0	15.5 **26.4** 45.6
Electrical Parts and Supplies (74)	4.14 **3.00** 2.36	6.31 **4.13** 2.43	16.70 **11.35** 7.55	33.48 **16.75** 10.28	3.75 **2.75** 2.16	5.75 **4.58** 3.22	20 **32** 39	7.4 **5.2** 4.0	24.3 **35.9** 52.4	21.2 **30.1** 46.3	37.1 **62.7** 87.1	62.5 **75.2** 100.3	42.9 **62.6** 89.4	13.6 **26.9** 46.1
Foundries (108)	4.86 **3.41** 2.16	5.12 **3.70** 2.33	13.98 **9.72** 6.27	25.03 **17.25** 9.80	3.28 **2.68** 2.09	6.35 **4.50** 3.30	24 **30** 40	13.6 **7.5** 5.4	36.2 **48.4** 63.3	14.5 **23.1** 35.7	31.9 **47.3** 63.2	33.6 **56.3** 80.4	48.9 **81.6** 134.8	15.8 **34.4** 50.6

FOURTEEN IMPORTANT RATIOS

in 36 Manufacturing Lines

Line of Business (and Number of Businesses)	Current assets to current debt	Net profits on net sales	Net profits on tangible net worth	Net profits on net working capital	Net sales to tangible net worth	Net sales to net working capital	Average collection period	Net sales to inventory	Fixed assets to tangible net worth	Current debt to tangible net worth	Total debt to tangible net worth	Inventory to net working capital	Current debt to inventory	Funded debts to net working capital
	Times	Per cent	Per cent	Per cent	Times	Times	Days	Times	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
FOR 36 MANUFACTURING LINES—1957 MEDIANS AND QUARTILES														
Furniture (146)	4.62 **3.17** 2.15	4.57 **2.22** 0.44	12.84 **7.70** 2.83	22.01 **12.90** 2.76	4.43 **2.97** 2.20	6.90 **4.90** 3.27	27 **41** 48	9.7 **5.9** 4.5	20.7 **31.5** 50.9	17.2 **29.8** 50.8	38.5 **59.7** 91.2	49.8 **68.7** 101.7	98.4 **72.2** 104.6	9.9 **23.0** 47.6
Hardware and Tools (102)	5.21 **3.57** 2.54	5.65 **3.69** 1.74	15.25 **10.25** 3.82	25.17 **15.44** 4.96	3.47 **2.30** 1.91	6.70 **3.36** 2.73	25 **34** 41	9.7 **4.8** 3.4	24.3 **36.8** 50.4	16.0 **24.9** 34.7	26.9 **43.5** 71.0	55.6 **75.7** 95.5	36.6 **50.4** 86.5	10.7 **24.8** 43.4
Hosiery (75)	7.32 **3.47** 2.19	2.95 **1.67** 0.59	9.14 **3.89** 1.71	15.47 **7.32** 2.10	4.50 **2.58** 1.54	7.52 **4.49** 2.78	19 **31** 39	10.9 **5.8** 4.5	29.6 **42.1** 59.1	9.5 **19.6** 34.6	26.8 **52.2** 90.6	51.2 **72.3** 107.1	26.4 **55.9** 84.5	14.5 **27.5** 77.6
Lumber (72)	6.15 **3.63** 2.04	7.29 **3.54** 0.18	11.18 **5.32** 0.56	21.44 **9.56** 0.88	3.23 **1.66** 0.73	5.72 **3.72** 1.91	22 **32** 53	7.1 **5.5** 3.0	18.0 **31.1** 48.5	9.4 **17.3** 37.0	19.8 **49.5** 97.2	47.9 **77.8** 125.0	29.1 **55.5** 85.0	15.0 **38.8** 91.5
Machine Shops (151)	4.18 **2.88** 1.94	5.99 **3.99** 1.70	16.30 **10.90** 4.05	32.25 **17.97** 7.70	3.45 **2.28** 1.74	6.95 **4.50** 3.34	22 **33** 42	18.0 **8.5** 4.2	32.2 **45.2** 62.4	17.2 **28.2** 42.7	30.2 **49.8** 86.1	36.9 **69.2** 97.1	49.2 **91.9** 171.8	16.2 **31.8** 52.9
Machinery, Industrial (364)	4.42 **3.09** 2.23	5.97 **3.76** 2.36	14.47 **10.16** 5.83	21.63 **15.14** 8.63	3.62 **2.50** 1.91	5.03 **3.69** 2.60	32 **44** 57	7.0 **4.6** 3.4	22.5 **32.6** 45.2	20.2 **31.2** 52.5	40.6 **60.3** 90.2	55.1 **74.6** 97.7	45.9 **69.7** 106.7	9.8 **25.6** 51.5
Meats and Provisions, Packers (72)	3.63 **2.42** 1.80	1.84 **0.78** 0.44	12.83 **6.04** 2.95	33.98 **15.66** 7.67	11.23 **7.36** 5.66	24.89 **16.88** 12.75	10 **11** 14	32.0 **24.7** 17.5	44.2 **58.4** 78.7	19.1 **31.7** 48.4	39.3 **66.7** 92.5	49.4 **64.4** 98.3	69.6 **98.1** 149.6	28.8 **50.2** 80.6
Metal Stampings (85)	4.83 **3.04** 2.07	5.98 **4.14** 1.80	15.83 **10.09** 4.20	29.41 **17.33** 9.07	4.11 **2.49** 1.77	9.18 **5.01** 3.37	25 **35** 42	10.3 **6.2** 4.6	30.8 **43.7** 62.5	13.9 **25.6** 45.2	26.8 **54.5** 82.2	46.0 **71.8** 101.7	44.5 **74.5** 108.3	15.6 **32.1** 57.4
Outerwear, Knitted (681)	3.47 **2.18** 1.67	2.22 **1.15** 0.15	8.85 **4.02** 0.92	11.54 **5.62** 1.40	6.53 **3.98** 2.80	9.76 **7.61** 4.28	21 **36** 48	12.7 **6.2** 4.7	3.4 **11.4** 29.5	30.0 **61.2** 96.7	66.7 **86.7** 178.2	38.8 **76.1** 142.2	72.3 **105.7** 139.6	4.5 **14.9** 39.6
Overalls and Work Clothing (50)	5.07 **3.10** 2.10	2.47 **1.49** 0.55	8.21 **4.67** 1.88	13.48 **5.59** 2.16	5.31 **3.61** 2.13	8.58 **4.30** 2.79	20 **33** 44	5.6 **4.4** 3.5	8.7 **16.6** 29.7	21.5 **35.4** 68.2	41.8 **86.0** 126.1	67.1 **92.0** 123.3	33.6 **52.1** 76.6	7.6 **22.2** 35.5
Paints, Varnishes, and Lacquers (138)	5.54 **3.40** 2.50	3.39 **2.03** 1.02	10.62 **6.14** 2.68	18.28 **9.39** 3.24	4.06 **2.64** 2.18	6.32 **4.78** 3.74	25 **36** 45	9.8 **6.9** 5.0	22.0 **34.9** 50.8	15.4 **24.2** 39.4	27.7 **44.0** 68.5	50.6 **67.7** 91.3	39.6 **66.1** 95.0	11.2 **23.6** 37.7
Paper (65)	3.64 **2.79** 2.12	7.98 **5.30** 3.68	10.90 **8.48** 5.28	41.21 **27.44** 18.29	1.90 **1.64** 1.14	6.27 **4.86** 3.81	21 **26** 31	8.7 **7.0** 5.5	56.3 **71.3** 92.4	14.1 **17.6** 24.9	26.3 **35.6** 52.9	50.3 **69.6** 91.7	60.0 **83.3** 115.9	27.4 **50.4** 101.0
Paper Boxes (67)	4.96 **2.52** 1.81	5.38 **3.51** 1.34	12.10 **9.49** 5.96	40.00 **23.20** 8.81	3.20 **2.54** 1.89	8.92 **6.15** 4.88	20 **29** 33	15.0 **10.0** 7.1	37.8 **58.3** 82.3	15.1 **24.5** 45.3	46.5 **62.8** 92.0	43.9 **55.7** 75.6	55.3 **81.7** 128.3	39.2 **67.3** 128.8
Petroleum, Integrated Operators (37)	2.92 **2.41** 1.78	13.88 **7.61** 5.99	15.01 **11.32** 7.86	64.04 **42.67** 28.37	1.56 **1.18** 0.95	7.03 **5.40** 4.03	30 **38** 45	9.2 **7.6** 6.7	72.0 **89.0** 104.5	13.7 **18.4** 26.5	27.2 **51.5** 73.4	52.1 **71.2** 86.2	77.7 **109.5** 146.7	65.8 **109.7** 171.0
Printers, Job (64)	3.26 **2.38** 1.67	4.28 **2.13** 1.34	10.22 **7.44** 3.04	37.11 **19.57** 10.79	3.83 **2.65** 2.36	12.37 **6.58** 5.18	28 **37** 46	‡‡	42.1 **60.0** 75.2	21.9 **31.3** 43.4	31.9 **41.9** 68.8	‡‡	‡‡	16.1 **27.9** 81.2
Shirts, Underwear, and Pajamas, Men's (58)	3.41 **2.20** 1.57	1.29 **0.77** 1.14†	7.25 **3.18** 3.59†	9.53 **3.92** 4.50†	6.67 **5.40** 3.06	9.46 **5.78** 3.72	26 **50** 58	7.4 **5.4** 3.8	2.7 **5.9** 15.7	38.3 **66.8** 141.7	61.4 **81.3** 139.7	69.4 **102.2** 146.1	50.0 **83.5** 107.8	11.9 **19.6** 28.7
Shoes, Men's, Women's, and Children's (107)	3.65 **2.55** 1.90	3.34 **1.82** 1.11	10.20 **7.44** 3.43	13.34 **8.23** 4.30	5.15 **3.54** 2.43	7.04 **4.13** 2.80	81 **49** 60	7.9 **5.2** 3.5	11.9 **17.9** 28.4	30.5 **49.5** 78.6	56.7 **74.0** 102.3	59.8 **84.4** 109.2	51.7 **68.0** 125.9	13.7 **24.6** 43.0
Steel, Structural Fabricators (sell on short terms) (101)	3.93 **2.60** 1.95	6.42 **3.84** 1.76	21.64 **14.93** 6.62	43.98 **25.90** 11.60	5.21 **3.24** 2.31	8.75 **4.73** 3.75	34 **47** 60	8.5 **6.2** 4.2	24.0 **32.9** 50.6	23.8 **36.0** 63.6	64.9 **82.1** 147.2	50.1 **81.3** 99.4	51.3 **84.9** 119.9	16.6 **31.2** 68.7
Stoves, Ranges, and Ovens (55)	6.98 **3.74** 2.56	5.55 **1.81** 0.61	12.10 **5.25** 1.70	20.61 **12.68** 3.06	3.92 **3.09** 2.21	6.29 **4.64** 3.49	29 **41** 51	7.2 **5.2** 4.6	17.7 **29.4** 40.0	14.5 **28.9** 43.6	30.7 **56.7** 80.9	57.7 **72.6** 95.4	33.8 **54.9** 75.6	7.2 **27.8** 45.4
INDUSTRIAL MACHINERY MANUFACTURERS—BY SIZE (TANGIBLE NET WORTH) CLASSES—MEDIANS ONLY														
1957 Under $500,000	**2.69**	**3.06**	**8.94**	**13.92**	**3.36**	**5.06**	**40**	**5.8**	**26.3**	**39.1**	**83.8**	**82.7**	**74.2**	**45.8**
1957 $500,000–$2,500,000	**2.91**	**3.73**	**9.44**	**15.86**	**2.63**	**4.01**	**46**	**4.8**	**35.5**	**32.1**	**60.7**	**71.9**	**74.6**	**25.5**
1957 Over $2,500,000	**3.43**	**4.60**	**10.99**	**15.30**	**2.15**	**3.05**	**45**	**4.0**	**33.0**	**28.2**	**50.8**	**71.8**	**59.0**	**20.3**

FOOTNOTES

†Loss.

**Building and construction contractors and electrical contractors do not have inventories in the credit sense of the term. They carry only such materials as lumber, bricks, tile, cement, structural steel, and building equipment to complete jobs on which they are working. Electrical contractors carry electrical equipment and supplies to complete particular jobs on which they are working. Concerns operating in these lines generally have no customary selling terms, each contract being a special job for which individual terms are arranged.

‡Job printers do not have inventories in the credit sense of the term. They carry only current supplies such as paper, ink, binding materials, and lead for type-setting.

Definitions of terms will be found on page 62.

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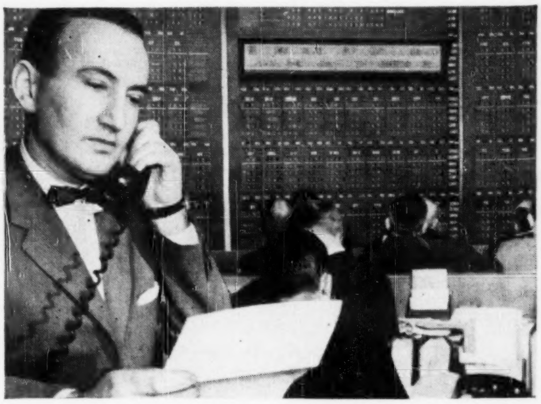

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BOARD AT WORK

continued from page 39

Formal executive committees, which are not always active, serve primarily as a convenience. They are subject to call in emergencies to act as delegates for the board, although their decisions are usually (in some matters, always) subject to later board ratification. Four out of ten companies surveyed schedule no regular meetings of the executive committee, which exists on a stand-by basis only, while three out of ten companies set monthly executive committee meetings. In one out of ten companies, the committee meets weekly. Otherwise, it may meet, on a regular basis, as infrequently as once a year or as often as twice a week.

In effect, the executive committee is frequently a little board, most often dealing as the big board would with capital appropriations, salary increases above certain levels, pensions, bonuses, policy formation, and counsel in long-range planning. Quite often it handles such relatively minor routine necessities of corporate financial authority as approving some contracts, leases, purchase and sale of land, or other real estate transactions, and it may sign some checks. More broadly, it may screen matters that should go before the full board. A number of presidents mention this as a major function of the more active executive committees.

Winning board approval

But since the board itself has some legal powers which cannot be delegated and usually is further circumscribed by state laws, the certificate of incorporation, and the company's own by-laws, the board cannot transfer to an executive committee its own powers over certain matters. Among these areas, presidents mention: approving the sale or merger of the company, issuing stock or declaring dividends, amending by-laws, electing company officers or appointing new board members, and, in some cases, setting executive salaries.

The seven out of ten Panel presidents game enough to hazard a guess on their batting average with their boards revealed some startling figures. They say that board approval is won for 93 per cent of management's recommendations. Some individual presidents put the figure as low as 70, but a greater number claim they hit 100 per cent.

One president, who says his batting average "must run close to 100 per cent," puts in a qualification:

> The catch in this one is that we have frequent informal meetings . . . which give an opportunity for informal discussions of matters which will be presented formally at the regular meetings. Additionally, we make every effort to acquaint each direct-


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The new 100-inch wheelbase station wagon that costs less to buy and operate. Top economy, easiest handling and parking. Yet offers full 5-passenger room and spacious cargo area for samples and luggage.

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or with matters which will be under discussion and to reach a meeting of the minds on these items prior to the formal sessions. It is rare that a "selling job" has to be done, but it is much easier to do it individually ahead of a meeting than it is to bring something up cold and attempt to do the job there.

Generally, matters affecting practice or policy companywise are discussed and formalized in committee meetings which have to do with the particular area of operation that would be affected by the new idea or the change in practice. The chairman of that committee generally takes the responsibility for acquainting other directors with the recommendation of the committee and making certain that they understand the proposition prior to the board meeting. This relieves the chief executive of that responsibility, and, in most cases, it seems to work out quite well for us.

Similar procedures, judging from experiences related by the majority of panelists, seem to work quite well for other companies. A great deal of backstage maneuvering, sounding out, and opinion exchanging precedes the typical board meeting. Many insecure proposals are shelved at this stage or shored up by further development before they reach the convened board. Presidents say repeatedly that a sound proposal, meticulously and completely documented, sells itself. For this reason, ultimate board approval of a management proposal does not so much imply that management has bamboozled a body of stodgy and mindless judges as that it has presented its case with airtight evidence, relentless logic, and the serene conviction that it is right. (For specific views, see box on page 50.)

Accolades and brickbats

Information confidentially provided DR&MI by the more than 100 leading industrial leaders suggests that in successful companies remarkably happy working relationships exist between the company president and the board. Accolades that might arouse some suspicion if conferred in public are more believable when they are given under a survey agreement that no man will be quoted by name. Not unusual are such compliments as these: "I believe I have one of the top boards in the country" and "Because of the high quality of my board, I really have no serious problem. They are intelligent, loyal, and stimulating."

While the bulk of the Panel does not go this far in paying private compliments, six out of ten of the responding presidents insist they have no serious problems with their boards. The rest do

Do Presidents Want a Rubber-Stamp Board?

Many presidents on the Panel say that nothing is more useless than an indifferent or rubber-stamp board. Many of them believe that management's proposals are sharpened and improved when a board asks penetrating questions—and that ultimate decisions, after being tested in intelligent argument, are of better quality. Some presidents prefer a board that deals more quietly—though not less thoughtfully—with management's recommendations.

"A rubber-stamp board is of absolutely no value. A critical board is necessary to dig out the soft spots and develop sound planning and programming."

"I would prefer that my board constructively criticize all programs, but after a decision has been made and management has decided to go one way, they should agree wholeheartedly and assist in any way that they can."

"I would abhor a rubber-stamp board. My board is searching and critical. Our meetings are coldly formal and businesslike. I wouldn't have it otherwise. My board has not complimented me once in the three and a half years I have been president."

"Friendly criticism welcome and helpful. The attitude of the critic is the important consideration. A company president needs all the support he can acquire, and a board should supply it or seek a change either in him or in the board membership."

"A blend of the two is best. There must be a reasonable amount of give and take. Super-critical board members are not valuable, and a pure rubber-stamp is worthless."

"A rubber-stamp board is worse than useless—it merely reinforces your own smug opinion, instead of questioning and probing those questionable decisions you make—and we all make 'em."

"Emphatically, we want a critical, probing, penetrating, challenging board of directors. This is the kind of a board that strengthens the hand of management."

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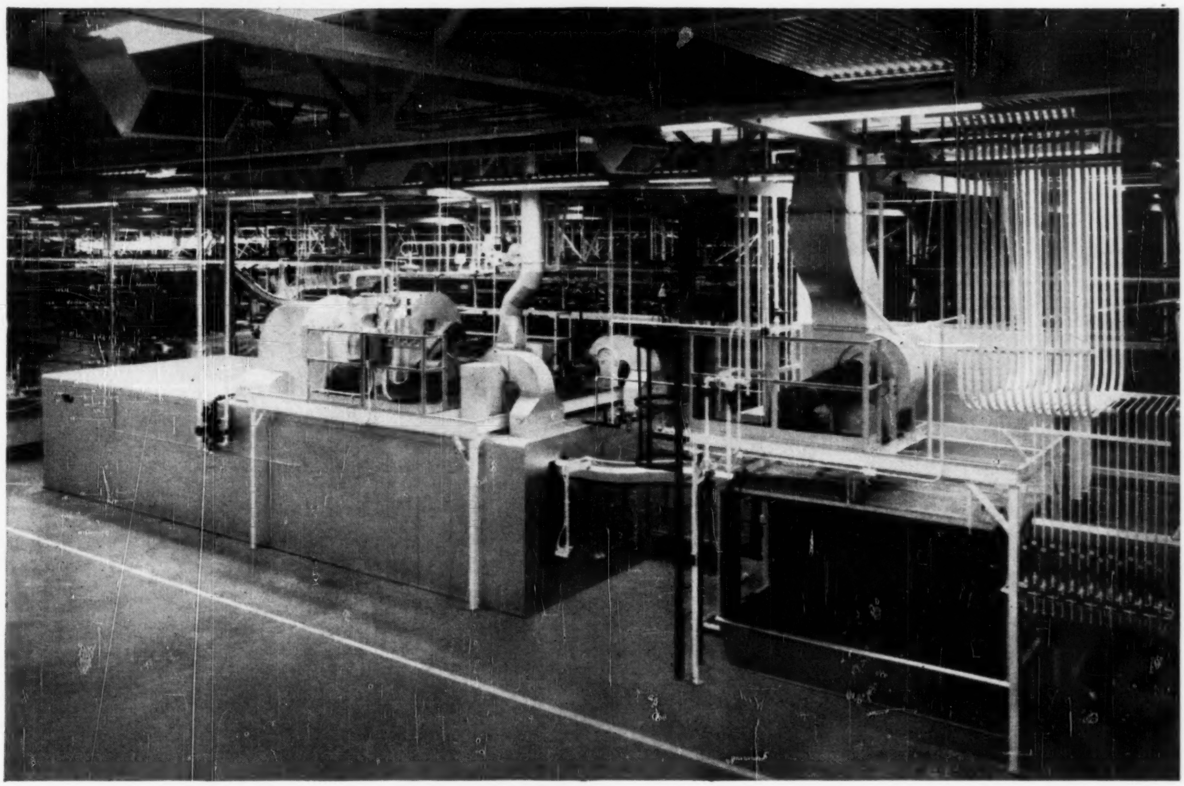

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mention problems that are familiar to men who have known the ups and downs of corporate life through many shifts of power and political alignment.

Among those mentioning specific problems, panelists most commonly cite communications and name some related hazards: What should be communicated? How should a complex operation be made clear to an outsider lacking the time and, sometimes, the desire to learn? How should new corporate complexities, such as involved compensation programs, be explained to men whose business life was lived in a previous day?

A strong-voiced minority insists that retired and older men are often problem directors, ultra-conservative in their thinking or—a costlier disadvantage—indifferent. For all its superficial harmony, a board stacked with insiders may bring problems with it, since there may be "difficulty in getting some directors to voice opinions on problems which are not directly in their own area," or simply because they do not wish to be in opposition.

The problem members

While the president may have a considerable voice in the selection of new directors, it is likely that he has, in most cases, inherited part or even a majority of his board. Surveys by the National Industrial Conference Board have found that half of the directors on a board serve for at least a decade, and nearly a fifth for twenty years or more. The Panel president, however, has typically been in office for seven years (DR&MI, September 1958, page 40). Problems may occur in boards in transition from an inside to an outside majority, from an older to a younger group, from a rubber-stamp body to a more inquisitive, guiding, and vital team of deliberators.

Of course, any board may have problem members. Some managements may be familiar with the serious situation one president describes: "Occasionally going off half-cocked on some recommendation or idea. Usually only one member does this. Not always same one. Requires 'straightening out.' Has never been a real obstacle." Several men insist experts "always try to tell you what to do" when the board faces a decision touching on their specialty.

Next to large-scale fraud, perhaps the most sensational front-page business news is made by corporate raids and proxy battles. Of course, a threat to the president's power need not come from outside. It could conceivably begin with an internecine challenge or intrigue. Of course, in its more extreme forms, this is a situation unlikely to confront most successful company presidents. But, supposing they did face

it, what would these presidents do if their own influence on the board were challenged?

"In a well-managed company, if the president has been performing satisfactorily, he should have little difficulty in obtaining complete cooperation from his board. When a president is losing his influence with the board, he had best do some soul-searching." This view represents, with reasonable completeness, the consensus of the Panel, although many men extend the implications and say the president should "meet the challenge head-on—win, lose, or draw." Others mention the ultimate choice with uncompromising directness: "It seems to me that a president whose influence on his board is diminishing might start looking for a new job."

Board vs. president

Many presidents, as might be expected, insist that a good leader would not permit a board relationship to deteriorate into an open power struggle, that he would poll his board privately between meetings to check his support, and would not go to the board with programs that might jeopardize his own influence. Or, in dealing with a troublemaker, he would settle the issue, however firmly, in private.

The sentiment that runs through most of the presidents' replies is simply this: When the velvet glove has been flung down in challenge, it is time to use the iron fist. In a survival-of-the-fittest contest, most presidents seem to believe they would win. (For more views, see box on page 39.)

But while no president, obviously, would relish having his leadership undermined or threatened by an out-and-out board challenge, most presidents welcome an inquiring, probing, and constructively critical board. However, semantic differences develop over the interpretation of "critical." If the word describes a board that is analytical, discerning, intelligently inquisitive, objective, and well informed, there is no question in the presidents' minds that such a board is more useful. "Criticism is good," says one man typically, "but I hate to see it adamant or stubborn. . . . Individual contact makes criticism easier to give and to take." Says another man: "I like to have argument. It clarifies situations, as long as those who argue are intelligent and know what they are arguing about."

A substantial group of panelists want a board somewhere in between: "There is a happy medium between a rubber-stamp board and a board that is chronically contentious. The most effective board is the one that asks searching questions to clarify the presentation of the subject. However, where questions are raised because of personal bias, it only leads to unnecessary dissension. On the other hand, if members of the board are always in agreement and willingly accept all of the chairman's recommendations, then the deliberations of the board become a farce, and the whole objective of board action is stultified. In my opinion, the middle of the road is the best."

A commonly held viewpoint emerges from the survey replies: Each degree of criticism has a time and place to be raised and a final time to be withdrawn. Ardent argument, say the panelists, is best done privately in individual contacts between the president and members of the board. When the board meets, much of the necessary compromise should already have been accomplished. Then is the time for a broader, more objective inquiry and appraisal. Once voting has made a decision final, presidents would like good-humored and gracious acceptance of the majority position. (For specific views, see box on page 46.)

How much board participation?

The extent to which the board contributes dynamically to the total success of the company, most presidents seem to believe, depends largely on how much the president himself wants the board's help or participation. He is, say some men, the catalyst. Certainly, his philosophy of management and temperament are important in creating the kind of atmosphere in which he and the board either work together or regard each other as mere legal necessities in the functioning of the organization. And some presidents question se-

How Presidents Win Votes and Influence Boards

Few presidents like to say outright that they always get their own way with their boards, but their batting average in winning the board over to management's proposals is remarkably high. Not many will admit that their boards are mere rubber stamps. How, then, does it happen that the board so often favorably disposes of what management proposes? Here are some clues to the answer, suggested by members of the Panel:

"(1) Have a saleable proposal. (2) State it clearly. (3) Make positive recommendation and reasons for. (4) Be right most of the time."

"Feeding ideas from inception through development so that when idea is formally presented it is thoroughly understood and most probably acceptable."

"Attempt thoroughly to explain and present facts, figures, and reasons. Very often, try things out on key board members in advance of meetings."

"As president for 37 years, I have their confidence and do not have to sell them."

"Seldom do we put issues up to the board unless we are quite certain they will accept them with, of course, some degree of modification. Build a case bound with as much fact as can be put together and present it."

Presidents' Pay, Stewardship, and the Board

Does the board have a systematic procedure for reviewing and appraising the presidents' stewardship and fixing his compensation? Almost six out of ten panelists say "yes." A few claim that they don't know, since this function is usually handled by a salary committee of outside directors who may keep their methods and conclusions to themselves. Where compensation is reviewed by the board and the president knows what yardsticks are used, these are often a comparison with the company's results against the competition's or a bonus tied into the company's own performance and profitability.

The president who wants to ask for a raise may be in a tough spot. Says one panelist, "I recommend to outside members annually the compensation of all officers except myself." As to stewardship, most presidents believe that the company results, compared with objectives that the board has agreed are reasonable, form an adequate appraisal of the president's managerial ability.

Few presidents feel they are underpaid. In fact, for every one who thinks his compensation is inequitable, nine say they believe their pay is fair. There are, of course, some complaints about the tax bite and inflation, and a few presidents mention that, "in the light of current earnings," they consider their present compensation satisfactory for the time being. Some have even recommended against any increases for themselves. Some, too, own large enough holdings in the company so that they are not entirely dependent on direct compensation. How much a president should be paid, of course, is a matter that might stump even the compensation experts. One president says, "By nature I have a 'growing' philosophy and always expect to give more than I receive."

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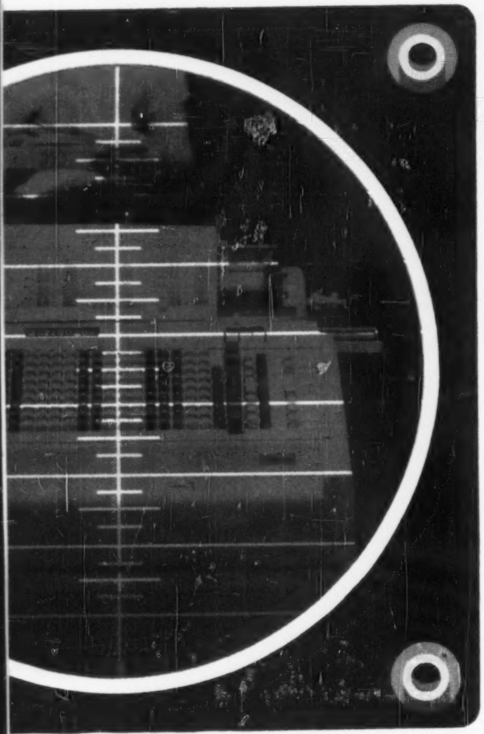

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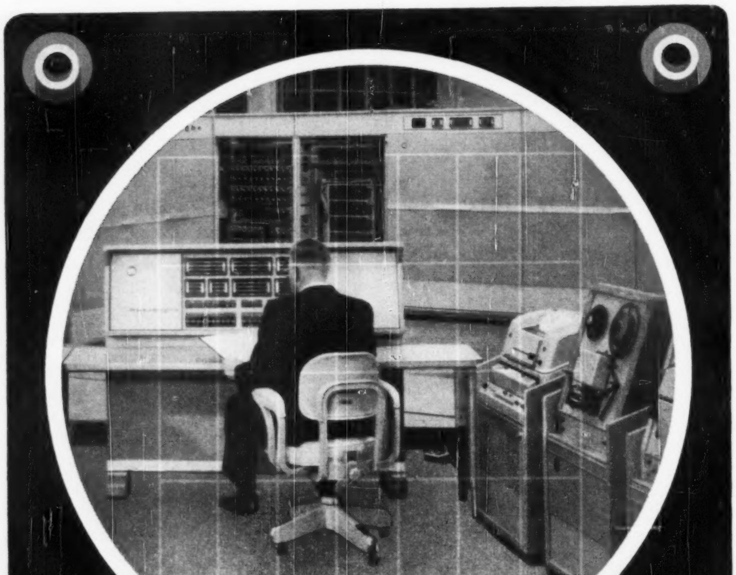

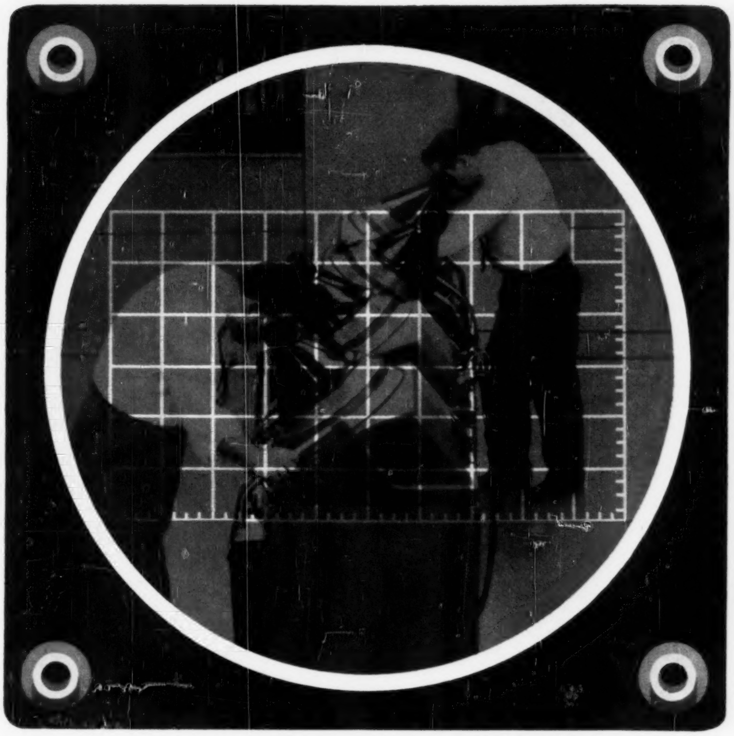

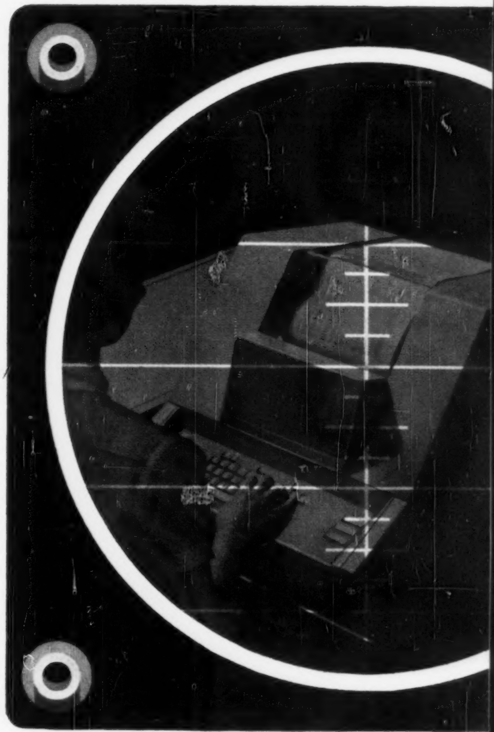


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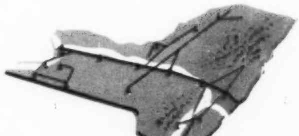

riously whether the board should be made more effective, in the sense of participating deeply with management in the solution of company problems. One spokesman for this substantial minority view says: "I would personally like to see a management that is pretty self-supporting. I would like to see management go to the board out of respect for members' judgment in special situations. In my experience, the board of directors won't find any answers that management doesn't."

Putting the board to work

But other presidents believe that the board can be more effective if it is put to work—largely through committees assigned to investigate special problems or areas, such as finance, salary structure, and audit and to report back with appraisals and recommended solutions.

Several presidents say that a director can often help sales. Many others believe that directors should get to know the company better, not just abstractly through the reports they receive, but by visiting the physical facilities, the plants, and the laboratories. Says one man, "Get them over the property and out among the customers." Another prefers to keep the board above the battle: "I see them as an observing, analytical, and consulting body—not a working group."

One proposal sums up the view of the presidents who want to make the board a more effectively functioning instrument: "(1) Keep directors informed. (2) Set up special temporary board committees on unusual problems. (3) Call on individual directors from time to time in some area peculiar to their know-how. (4) Make certain all board meetings are not perfunctory and are kept vital by dealing only with important and concisely presented matters."

While individual boards vary in size, composition, quality, vitality, and usefulness to management beyond their routine legal obligations, most chief executives seem to be saying one thing: What kind of board he has is largely up to the president, and the kind of board he has is probably the kind he wants. Were this not so, someone else would soon be running the company and reporting to its board. END

What the Board Should Know—and What It's Told

Board decisions, most presidents on the Panel believe, cannot be sound unless the board is given complete information. Interim written reports to the board may run to 50 or 100 pages of solidly packed data or show a more general picture of the company's direction with condensed or consolidated information. For the most part, the Panel seems to want the board to know as much as it is capable of absorbing and to feel that the board has the right to have any specific information it requests. Here are some summary views:

How intimately acquainted should the board be with company affairs?

"A director should have any and all reports available so that he can form definite opinions of his own as to the complete operations of the company. He need not physically visit plants and examine products, but he certainly should know the organization structure, the training and development program for new executives, the forward planning of the company, and have a good understanding of the problems and their solutions."

"In absence of special conditions, the board normally should stay away from details. It should, however, have full access to all information necessary or useful in enabling it to make decisions in policy areas."

"Board members need not be intimately acquainted with a company's affairs. In fact, they can't be in most companies!"

"Should be intimately familiar with fiscal matters, and not much else."

What information do presidents actually give their boards?

"Complete data, boiled down to the point where a busy director has a chance to digest it."

"Complete operating data for all divisions, budgets and five-year forecasts, and detailed explanations for all variances, as well as complete report with background strategy, thinking, and explanations on all major new projects."

"Very complete — anything they wish."

"We give them budgets, operating data by divisions and product line, future forecasting, capital expenditure programs, and general highlights of our business and competition for the period."

"Nothing irrelevant—only digest of financial and operating data; reports on the economic environment in which the company is operating; significant and prospective trends which could affect company operations in the future."


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PROCESS YIELD
CODE
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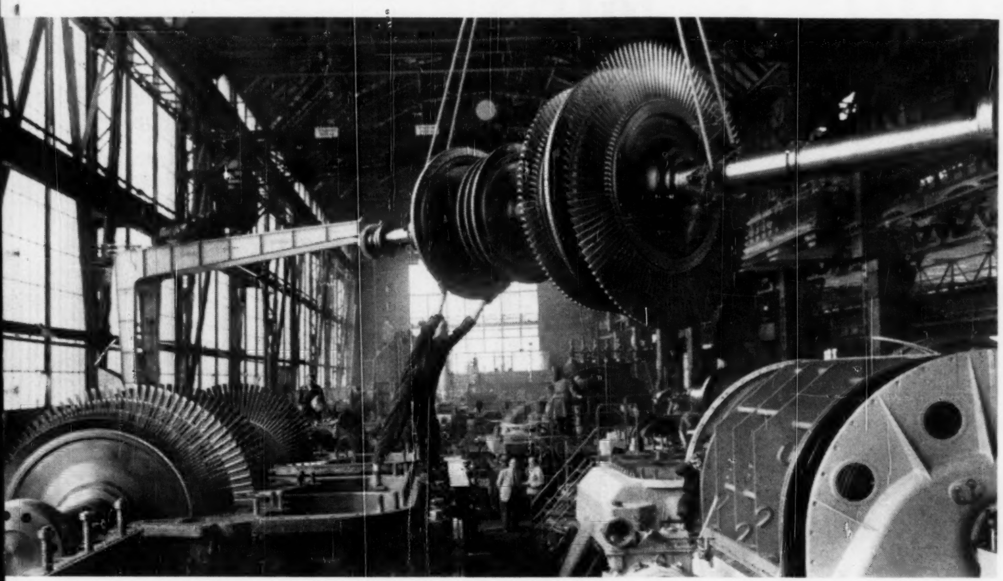


FOREIGN KNOW-HOW: *Giant 100,000-kilowatt turbine generator under construction in AEG Turbine Works, Berlin. West Germany, third-ranking export nation, is the sixth biggest market for U.S. goods.*

Changing patterns in competition abroad can hinder your foreign marketing program. This new DR&MI survey shows what 222 American companies are doing to hurdle current obstacles to overseas profits.

Trends to Watch in Overseas Competition

ALEXANDER O. STANLEY

IF YOU ARE setting your sights on higher export sales in 1959, or if you are dusting off plans to begin an international activity now that the business climate has improved, take a hard look first at the competitive factors existing in overseas markets today.

Some of these marketing problems arise out of foreign government controls on trade and financial channels and require a roundabout approach with the emphasis on long-range planning. The usual method of overcoming these obstacles has been to produce the products in the local market, either by setting up branch plants or developing licensing arrangements.

Some of the other competitive factors inhibiting direct export sales have been dealt with by more immediate action in revising price schedules, improving deliveries, extending longer credit terms, or employing other devices to build up dealer and customer acceptance overseas.

To help you in recasting your own overseas program, DR&MI recently conducted a survey of a representative group of U.S. companies to determine which factors are causing them the most trouble, where these difficulties are being encountered in greater or lesser degree, and what steps are being taken to improve the competitive posture of this group of companies in foreign markets. Representing a cross-section of the big, the moderate, and the small traders, 222 concerns with an international sales volume in excess of $667 million reported their experiences in moving the products of 31 key industries overseas.

Some significant changes have taken place in the competitive pattern since a similar study was made a year ago ("Practices and Problems in Overseas Sales," DR&MI, December 1957). Then, as now, lower prices ran No. 1 on the list of competitive woes. But other factors shifted in importance:

Competitive factor	Ranking 1958	Ranking 1957
Limited dollar exchange	2	3
More liberal credit terms	3	7
Exchange and import controls	4	10
Higher and restrictive tariffs	5	—
Competition from local companies	12	2

And there are other competitive processes that retard the export sales drive. Here is a rundown of how the 222 respondents evaluate the nineteen hurdles to overseas sales (the figures indicate the number of mentions by respondents):

- Lower prices, 205
- Limited dollar exchange, 194
- More liberal credit terms, 163
- Discriminatory exchange and/or import controls, 146
- Higher and restrictive tariffs, 109
- Higher dollar rate vs. other currencies, 81
- Newly established branches of U.S. companies, 79
- Newly established branches of foreign concerns, 66
- Faster deliveries, 61
- Higher discounts on commissions, 59
- Local companies under U.S. licensing contracts, 59
- Newly established units of local companies with no foreign affiliation, 49
- Local companies under foreign licensing contracts, 40
- Improved distribution facilities, 36

troubles, although discriminatory ex-

About This Survey

Respondents to this special DR&MI survey included 222 companies in 31 industry groups whose combined export sales amount to more than $667 million annually.

The largest single bloc of respondents was 102 companies in the machinery and equipment industries. This group accounted for roughly half the total overseas sales reported—$336 million, a close parallel to the percentage breakdown by trade groups of total U.S. exports.

Analyzed by sales volume, participating companies fall into the following groups:

Gross export sales	Number of respondents
$100,000–$500,000	71
$500,000–$1 million	43
$1–$5 million	79
$5–$10 million	13
$10–$50 million	15
Over $50 million	1

Industrywise, food exports tallied $31 million; household appliances, $27 million; glass and stone products, $37 million; drugs and chemicals, $56 million.

- Improved competitors' products, 32
- Contributions to advertising programs of local dealers, 31
- Capital equipment provided under lease arrangements, 11
- Capital equipment provided in exchange for shares in local company, 11

The trouble spots

Where are these competitive factors most prevalent? The composite picture shows that Latin America, regarded by most respondents as the best marketing area today and in the immediate future, is plagued with by far the largest volume and variety of competition. In terms of frequency of mention, other areas follow in this order: Europe, the Far East, the Middle East, Africa, and Canada.

In Latin America, lower prices, limited dollar exchange, and the use of more liberal credit terms, in that order, are regarded as the toughest problems. In Europe, this same pattern is evident, although frequent mention is also made of discriminatory exchange and import controls, as well as faster deliveries by competitors. In the Far East, fewer dollars takes the No. 1 slot, with lower prices running a close second. Discriminatory controls of imports and the currency exchange also are considered troublesome. In the Middle East, lower prices and limited dollar availability run neck and neck, with easier credit terms reported with some frequency as a sales advantage to the opposition. In Africa, lower prices and dollar-exchange paucity lead the list of competitive

troubles, although discriminatory exchange and import regulations and more liberal credit terms also are mentioned with some frequency. And in Canada, our No. 1 export market, lower prices are heavily accentuated, along with restrictive tariffs and competition from branches of U.S. companies.

Leading trade contenders

Where is the export competition coming from? It's not surprising to find industrially revived West Germany mentioned in one out of four responses. Our traditional export competitor, the United Kingdom, receives one in six mentions, while competition from other U.S. companies is listed in about the same ratio. Japan shows up as a prime competitor in one out of eight reports.

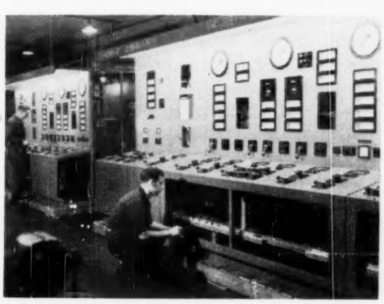
Here is how the thirteen principal exporting countries are rated as trade contenders, based on the number of mentions by respondents:

West Germany	134
United Kingdom	92
Other U.S. companies	81
Japan	73
Italy	39
Netherlands	31
Canada	29
France	19
Scandinavia	17
Switzerland	13
Belgium	10
Communist-bloc countries	8
India	4

Asked about future trends, almost half the respondents expect that West Germany will still head the competitive race, with the United Kingdom a close second. Japan is picked for the No. 3 spot, while about one in three respondents considers that competition from other U.S. companies will be an important factor to contend with.

There was one ominous shift in the line-up of competitors. The Communist bloc, which receives only light mention as a current contender in overseas markets, jumped to eighth place as a competitor to watch in the future. About one in ten respondents looks for trouble from that source.

Until now the economic war promised



AUTOMATIC CONTROLS *maintain correct operating conditions for high-capacity boilers in this Berlin power station.*

by the Soviets has been confined to the world market in metals, with some tentative incursions into the field of chemicals. Vigorous protests have slowed the apparent Red drive to upset and eventually to dominate the world market in key commodities. But some uneasiness is expressed that this is only a prelude to a future invasion of the world exchange in industrial products to be launched by the Communist bloc under the auspices of Moscow and Peiping.

In taking steps to meet competitive challenges, management, interestingly enough, is virtually ignoring the pressure for lower prices and placing this offsetting measure far down on the list. Companies lean heavily toward employing a variety of countermeasures beginning with product improvement and expansion of distribution facilities.

Counterattack strategy

Here is how the respondents report their priority in the several solutions available to minimize or equate competition:

- Improving products, one in four
- Improving distribution facilities, one in four
- Giving more liberal credit terms, one in five
- Developing license agreements, one in five
- Making faster deliveries, one in five
- Lowering prices, one in six
- Making contributions to local advertising campaigns, one in six
- Establishing local branches or plants, one in eight
- Improving local service facilities, one in ten
- Increasing discounts or commissions, one in twenty

Only two companies think they will get anywhere by offering to swap capital equipment for capital shares in local companies abroad. And only one respondent expects that by supplying capital equipment under lease arrangements he might improve his position.

Most companies seem to be unworried about competition from local concerns, at least from the long view. Also, the prospect of future inroads being made by foreign manufacturers creating overseas licensees is not considered a serious threat. Both of these competitive factors are regarded more as present than future hazards.

Queried on where they thought their greatest sales growth would take place, the overwhelming majority—eight out of ten—designated Latin America as the market of the future. Other areas of greatest growth potential are, in order: Europe, Canada, Africa, the Far East, and the Middle East.

Using this guide to competitive practices and solutions, you can recast your overseas marketing strategy with some degree of confidence. END

MANUFACTURING RATIOS
continued from page 42

DEFINITIONS OF TERMS

THE RATIOS—The data used are based upon a representative sampling with a tangible net worth which only occasionally is below $50,000. . . . The center figure for each of the 36 lines is the median. The other two figures in each line are quartiles; for each ratio they indicate the upper and lower limits of the experiences of that half of the concerns whose ratios are nearest to the median. When any figures are listed in order according to their size, the median is the middle figure (same number of items from the top and the bottom) and the quartiles are the figures that are located one-quarter and three-quarters down the list.

COLLECTION PERIOD—The number of days that the total of trade accounts and notes receivable (including assigned accounts and discounted notes, if any) less reserves for bad debts, represents when compared with the annual net credit sales. Formula—divide the annual net credit sales by 365 days to obtain the average credit sales per day. Then divide the total of accounts and notes receivable (plus any discounted notes receivable) by the average credit sales per day to obtain the average collection period.

CURRENT ASSETS—Total of cash, accounts and notes receivable for the sales of merchandise in regular trade quarters less any reserves for bad debts, advances on merchandise, inventory less any reserves, listed securities when not in excess of market. State and municipal bonds not in excess of market, and United States Government securities.

CURRENT DEBT—Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages, debentures, or other funded debts. This item also includes current reserves such as gross reserves for Federal income and excess profit taxes, reserves for contingencies set up for specific purposes, but does not include reserves for depreciation.

FIXED ASSETS—The sum of the cost value of land and the depreciated book values of buildings, leasehold improvements, fixtures, furniture, machinery, tools, and equipment.

FUNDED DEBT—Mortgages, bonds, debentures, gold notes, serial notes, or other obligations with maturity of more than one year from the statement date.

INVENTORY—The sum of raw material, material in process, and finished merchandise. It does not include supplies.

NET PROFITS—Profit after full depreciation on buildings, machinery, equipment, furniture, and other assets of a fixed nature; after reserves for Federal income and excess profit taxes; after reduction in the value of inventory to cost or market, whichever is lower, after charge-offs for bad debts; after miscellaneous reserves and adjustments; but before dividends or withdrawals.

NET SALES—The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales.

NET SALES TO INVENTORY—The quotient obtained by dividing the annual net sales by the statement inventory. This quotient does not represent the actual physical turnover, which would be determined by reducing the annual net sales to the cost of goods sold, and then dividing the resulting figure by the statement inventory.

NET WORKING CAPITAL—The excess of the current assets over the current debt.

TANGIBLE NET WORTH—The sum of all outstanding preferred or preference stocks (if any) and outstanding common stocks, surplus, and undivided profits, less any intangible items in the assets, such as good-will, trademarks, patents, copyrights, leaseholds, mailing list, treasury stock, organization expenses, and underwriting discounts and expenses.

TURNOVER OF TANGIBLE NET WORTH—The quotient obtained by dividing annual net sales by tangible net worth.

TURNOVER OF NET WORKING CAPITAL—The quotient obtained by dividing annual net sales by net working capital.

MARKETING IN '59

continued from page 32

Another problem that became apparent from the year-long study was that the salesmen no longer had the time to do the job they'd done when the industry moved at a slower pace. Their time was spread too thinly over such supporting activities as product development, market development, and so on.

"Our salesmen have traditionally been engineers," says Rodgers, "and have always worked closely with the customer on his problems. But the number of customers has increased tremendously since the war, and our study made it obvious that we have to relieve the field men of such specialized functions as market development and the like."

The result of this conclusion was the institution of the planning half of the new structure. "We have combined the special marketing functions into a tightly integrated organization," says Ted Sharp, new director of product marketing. "While we've been able to take the load off the field man, we've also set up a group that can look at the market from a company-wide standpoint in regard to such things as product balance, advertising and promotion activities, market development, and exploitation of the markets to the best advantage of all concerned."

Another example of beefing up the local sales organizations comes from SKF Industries, Inc., Philadelphia, which has recently completed organizational changes that were launched well before the recession but acquired extra significance because of it. Top-level division organization structure changes have reduced executive supervisory burdens. For better planning, customer service, and managerial control, regional managers have been established. Each regional manager will have a staff of specialized aides, including marketing and engineering personnel.

A sales promotion manager has been added to the replacement sales staff, which will be engaged in achieving one of the company's 1959 new-business

How Much for Distribution?

Three-quarters of the respondents gave estimates of the proportion of company's sales dollars that represents total distribution costs—marketing and sales management, promotion and advertising, packaging, and shipping. The figures ranged from 3 per cent for a steel products concern to 30 per cent for a coment manufacturer. The median was 16 per cent.

goals—increasing replacement sales. Strong programs to reduce record keeping and to mechanize sales statistical controls will be continued next year, according to Stuart H. Smith, vice president in charge of sales.

A Midwestern steel products manufacturing company contemplates reorganizing its sales force along industry lines rather than product lines. Thus, a single sales group will sell all products to a given industry, as classified by the Department of Commerce SIC system, whereas in the past a single sales force sold a single product or group of products across-the-board to all industries.

An Eastern container manufacturing concern, which had a higher profit margin in 1958 than in 1957 despite a reduction in volume of sales, expects to increase its profitability next year through a recession-bred sales reorganization program that accounted for this year's good record. "We have established a geographical decentralization program that is working very well," says its vice president. "Division managers are responsible for marketing within basic company policy. Previously, we operated under functional management.

"We anticipate that the change will result in more profitable volume, as the district manager's yardstick of performance is based entirely on profits."

Formation of a new, broad-responsibility marketing division and introduction of product managers are only two of several changes by which a Midwestern manufacturer of building specialties expects to increase both gross sales volume and margin of profit in 1959. The company also plans more marketing research, broadened channels of distribution, horizontal additions to product lines, simplified pricing, concentration on specific markets, and more attention to dealer relations through more home-office contact.

The marketing task force

Closer attention to relations with customers and dealers is also a key element in the 1959 plans of The Ohio Injector Company, Wadsworth, Ohio, manufacturer of industrial valves, which is in the process of putting a "complete marketing concept" program into action. As to the change expected to have the most

It's Better Profits in 1959, Say Marketing Men, Ten to One

Gross sales will be up something like 15 per cent in 1959, say ten out of 11 sales executives replying to a DR&MI marketing survey. What is more, and better, is that profit margins will be greater next year, too, the marketing men predict.

Only a comparative handful anticipate sales continuing 1958's decline or standing still. The most pessimistic estimate is a further loss of 15 per cent. On the other hand, the overwhelming majority of executives who expect gains in gross sales foresee their own companies' sales increases as ranging all the way from 1 to 50 per cent. The bulk of the forecasts are for a 10 to 20 per cent gain.

Higher volume, alone or in connection with other factors, is given as the probable source of the expected jump in profit margins by nearly two-thirds of those who responded. More meaningful, probably, is the emphasis in many responses on better cost control and on changes of various kinds in the product lines.

Most companies have trimmed considerable fat off selling expenses and expect to keep up the good work next year, answers to other questions show. But in pinpointing where improved profit margins are to come from, cuts in production costs received more attention.

"Tighter budget control, increased production efficiency," for example, are the factors named by one market research manager. "Increased sales of higher-priced models in each line and better inventory and production controls," says another.

Elimination of less profitable items or lines, pushing of high profit ones, and introduction of new products designed to outflank competitive price-cutting are planned by many other companies as profit boosters.

Different factors come to the top when the sales executives are asked what they expect 1959's biggest problems to be, aside from building volume. Here are the problems that DR&MI's respondents put at the top of their trouble lists:

- Personnel—recruiting able men, training and retraining them, and improving their supervision.
- Costs—cutting and controlling production, selling, and overhead costs.
- Competitive pricing—meeting or beating prices that put the squeeze on profits.
- Distribution—adding new channels, eliminating less profitable ones, finding means to invigorate the sluggish ones.
- Market testing and research—expansion in some companies, effort to improve accuracy in others.
- Launching of new products.
- Advertising and promotion—making better use of the funds allotted to these functions.

Goodbye to the Fat Expense Account

It will take a clever salesman to pad out his salary with expense account income in 1959, DR&MI's marketing survey indicates. Sales executives were asked, "What's the outlook for salesmen's expense accounts?" Here are some of the "tough" answers:

- "Tighter control, less liberal policy."
- "Tighter control of an already carefully controlled matter."
- "Tighter than a bikini on Elsa Maxwell."
- "We're going to be very tough from now on."
- "Closer control—particularly on entertainment."
- "No more credit cards."

Others, however, foresee a slight increase:

- "We feel that salesmen's expense accounts will reflect the general price increases of restaurants, hotels, gasoline, and so on."
- "Expect inflation will take its toll for approximately 5 per cent greater costs."

beneficial effect on sales volume in the coming year, G. Richard Winder, vice president-marketing, gives this answer:

"Setting up of marketing task forces consisting of top marketing executives, engineers, accountants, and production control men to work with customers and distributors. We will provide customers with special field engineering service and cost reduction advice. We will assist distributors with expediting and other problems."

Picking the right customer

This company also plans to concentrate on specific companies in specific industries, building relations through personal contact with top personnel as well as through the field force. This kind of activity is typical of many survey responses showing a desire for selectivity in customers. Ohio Injector intends, along with this kind of selectivity and close customer relationship, to inaugurate "a well planned program of developing applications in markets where higher profit lines are used."

Buttressing these efforts will be a new program of screening, interviewing, and testing sales applicants; on-the-job training for salesmen; testing of a new salary, commission, and bonus plan; and the setting up of distributor promotion and training teams.

A large Pennsylvania machinery manufacturer is planning increased emphasis on joint user-benefit seminars with major customer companies. Engineers participating in the seminars also will be encouraged to write articles for trade

journals as a means of greater product publicity.

While a number of companies plan to cultivate—and educate—distributors (or replace them) in order to sell greater volume and higher-profit items, a few contemplate getting rid of distributors and using their own sales forces. Thus, an Eastern manufacturer of building materials and floor coverings, now selling both through distributors and directly to retailers, will test selling of additional products directly to dealers, as a means of cutting "waste." Another company plans during 1959 to "analyze the profitability" of each distributorship, with an eye to weeding out the less productive.

Well over half the companies surveyed mentioned personnel recruitment, training, and motivation as still among their big 1959 problems. Some of the proposed solutions are:

- Delegation of more of the hiring and screening to local sales management, and training of the local men in the necessary techniques.
- More on-the-job training and retraining, in some companies in participation with production and financial officers and personnel.
- Increased orientation to profitabiltiy rather than gross volume.
- Improved and increased communication between men in the field and the home office.

Reinstating recession cuts

A substantial number of participants in the survey, while finding the recession painful from a financial viewpoint, have a conviction that their operations will be improved in 1959 and later years because of the experience of having to cut back expenses.

"We feel that we learned more about what we can do without, so that our reinstatement of some expense will achieve greater benefit than if we had not had to clean out some of the cobwebs," says the marketing vice president of an Eastern machinery manufacturer. His company had reduced both sales coverage and sales promotion toward the end of 1957 and again in the Spring of 1958. It now proposes to reinstate the Spring 1958 cuts—a typically cautious approach to a return to normal found in many of the survey reports.

Another expression of the positive values of the recession comes from the sales vice president of a dairy and food processing machinery company: "The recession taught us ways to control our production costs without hurting our promotions and ways to achieve sales coverage at a lower average sales cost." This company plans not only to reinstate advertising and sales promotion cost cuts, but to increase the allotments by about 10 per cent over the prerecession levels. END

Small Business Consensus: No Crutches Needed

Nationwide face-to-face survey of business men reveals:

- ***Election results haven't altered business plans.***
- ***Small business and middle business say, "Leave us alone. We can manage our own affairs."***
- ***Many managements currently fear inflation.***

"I CAN run my own business and I don't need or expect any aid or guidance from the Government." That is the overwhelming consensus of small and middle business management in answer to a question in a brief post-election sounding of business sentiment conducted by direct interview on November 7, by the nationwide fact-finding facilities of DUN & BRADSTREET, INC. Of 1,323 concerns selected at random in 83 cities, the managements of 616 concerns, or nearly half, are confident of their own ability to operate their respective enterprises under today's conditions without help from Uncle Sam or anyone else. As one proprietor puts it cockily, "I'll make my own mistakes, and I'm willing to pay for them."

The full question put to these business men was, "Do you feel confident on your own, or do you feel the need of outside aid or guidance in the management of your business from sources such as: (1) Government? (2) Trade Associations? (3) Your suppliers? (4) Your bank? (5) Your accountant?" Of the 616 who say they want no interference or help from anybody, a few admit they occasionally take counsel with their trade associations, banks, and accountants. Of the remaining 707, 93 rely to some extent upon various Government agencies for guidance, technical as well as financial. A few have called on the Small Business Administration for aid, and one reports he succeeded in getting a loan. Others have gone to Uncle Sam for advice on foreign trade or for agricultural or scientific data. Apparently, however, Washington is by no means the small business man's preferred source of help and guidance. Of the companies surveyed, 284 rely on their trade associations, 261 get help and guidance from suppliers, 374 consult with their bankers, and 463 put a lot of faith in their accountants. Forty-three others volunteer mention of other sources of help: company lawyers, trade publications, chambers of commerce, consultants, and so on. (There is some overlapping among these figures, of course.)

They stand alone

Some of the comments are indicative of the mental attitudes of the respondents. An Alabama furniture dealer says: "I've been in business since 1925, and I know my business better than anyone. All I want from the government is tax relief and tariff restrictions on Japanese imports which are inferior and sold too cheap for fair competition." A New Englander, who wants no help from anyone, says, "I have found that outside sources are long on theory but awfully short on practical experience."

A big Ohio furniture retailer declares with vigor: "No, I don't want any Government agencies trying to tell me how to run my business. This is just an excuse to put more deadwood on the Government payroll. If I'm not qualified to run this business, I should be allowed to go broke." A Pennsylvania wholesaler of beauty shop supplies modestly says, "After 40 years of experience I cannot hope to find anyone with my knowledge of my own operation." And a Utah steel fabricator puts it this way: "Our own incentive is our best guidance. Heavy reliance on others is admission of inability to operate a business."

On the other hand, an Ohio building supply manufacturer, with over $1 million annual sales, acknowledges guidance from all sources available: "I make my own decisions based on combined findings and opinions of trade associations, suppliers, banks, accountants, and specialized agencies."

One of the broadest acknowledgements of reliance on outside guidance comes from a St. Louis chemical manufacturer: "We couldn't get along in the management of our business without outside aid and guidance from Government, trade associations, our trade suppliers, our bank, and our accountant."

Time for a change?

All the business men were also asked, "Have you changed your plans for 1959 because of recent business conditions—or because of the national election results?" Of the 1,323, only 270 say recent changes in business conditions had caused some shifts in their plans for 1959. Only a handful—35—of the 1,323 contemplate any change in their 1959 program because of the Democratic victories at the polls. One of these, president of a Los Angeles tobacco processing company with annual sales volume in several millions, observes: "I am concerned about the Dem-

What Small Business Men Think About . . .

. . .outside guidance:

What outside sources do you rely on for aid and/or service?	
Government	7%
Trade associations	21%
Suppliers	20%
Banks	28%
Accountants	35%
Others	4%
No help needed	**47%**

. . .current planning:

	Yes	No
Have you changed your plans on account of the election results?	3%	**97%**
Have you changed your plans on account of recent business conditions?	20%	**80%**

. . .inflation:

How has inflation affected your business?	
Helped	28%
Hurt	**40%**
No effect	32%

How much inflation would you prefer to see in the future?	
None	**67%**
Moderate	32%
Broad	1%

ocratic sweep, which might result in more powerful labor unions and greater spending that could lead to dangerous inflation. I am a registered Democrat, but I would like to have seen the election a hell of a lot closer." This man reports that he is currently liquidating much of his personal portfolio of securities in order to invest more heavily in the future of his own company—convincing evidence of confidence in his own business vision and ability.

A Midwestern manufacturer of millwork offers this pragmatic comment: "Democrats are larger spenders, and their increased control in Government should stimulate business conditions."

Business and the Democrats

Most of the comments indicate, however, that Democratic control of Congress will not make any major difference to domestic business or affect any of their long-term programs. A surprising number say their sales volume suffered very little during the recession period, but there are several who report changes in supplier relationships. A Southern contractor states, "We are cutting back on inventories because of better service from manufacturers, which is due to their decreasing sales and eagerness to provide services." The proprietor of a middle-size Pennsylvania foundry asserts, "The election will have no effect on our thinking, since good profits have been registered under Democrats." In contrast, a Washington, D.C., wholesaler thinks the election will have little immediate effect "because we have a Republican President and a conservative Secretary of the Treasury."

A question about inflation and its effects brought a much wider range of opinion and elicited a good many moral and ethical pronouncements. The first part of the question was, "Looking backward over the past three years, has your business suffered or benefited from inflation?" Of the total respondents, 534 say they suffered, 412 say they felt no effects whatever, and 362 believe they actually benefited from inflation. The second part of the question was, "In looking toward the future would you prefer: (1) No inflation? (2) Moderate inflation? (3) Broad inflation?"

Here, the answers are more clearly defined, with 853 or 67 per cent preferring "no inflation," 413 or 32 per cent asking for "moderate inflation," and fifteen or 2 per cent willing to risk "broad inflation."

Opinions on inflation vary with definition of the term, but no matter how they define it, business men are concerned about its immediate benefits and long-term dangers. Some of the business men look upon inflation as a terrible thief of values, while others see it as a necessary evil in our competitive economy. Many are willing to condone a little inflation as a minor fault, although they are always wary of its getting out of hand and becoming a destructive national vice.

Typical of those who think inflation is completely undesirable is the California manufacturer who says: "We have suffered due to increasing labor costs which rose 22.4 per cent. We would prefer no inflation." Another West Coast business man feels his metal fabrication concern suffered because "with increased operating costs and without a corresponding increase in demand, profit margin was narrowed, and some losses were reflected. We want no inflation."

Among those who prefer "moderate" inflation is a California printer who contends: "Business prospers under a moderate inflation. Hard money cuts sales." A Midwest manufacturer with the same opinion offers this appraisal: "A multi-billion dollar economy cannot function on gold coins. Inflation is a misnomer because the standard of living goes up at a faster rate than the quantity of dollars in circulation. I prefer that the standard of living rise as rapidly as the increase of quantity of dollars in circulation."

Another view is given by a small clothing retailer in Minnesota: "Inflation is beneficial in this operation because of low unit-cost of merchandise sold. A good take-home salary will stimulate spending for a nominal amount of goods not classified as necessities. Moderate inflation stimulates sales from the working class for semi-luxury items and impulse goods."

A dangerous illusion

Many business men look on the inflationary gains in dollar sales volume as a pleasing illusion which is not reflected in profits and which greatly increases operating costs. Facing the situation realistically, the majority ask for "no inflation," although they admit the flavor of a mild inflation works as a sweet opiate on everyone except the cost accountant. As a Southern tire distributor explains: "We benefited from inflation to a certain extent. However, we need more margin of profit. During the past year we have had 30 per cent increase in sales with no more profit than preceding year."

Judging from the survey responses, it would appear that a favorable climate for small and middle business exists, and that despite his minor gripes about taxes, the small business man's need for financial assistance is over-emphasized in political circles.

More significantly, the survey would seem to indicate that small business wants to be left alone, seeks no coddling, and will speak for itself when it wants outside counsel or financial guidance. —A.M.S.

Chevrolet's new El Camino combines fresh beauty with a husky pickup box that's 76¼" long, 64¼" wide.

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LABOR OUTLOOK
continued from page 34

and they have stood up surprisingly well under the initial impact.

Actually, the main test of the investigation's effect is not at the bargaining table. While public sentiment should not be discounted as an influence on negotiations, the McClellan disclosures have not undercut the basic economic persuasive power of most labor organizations.

The influence of the McClellan probe is more apparent in the areas of new organization and, of course, legislation. Its effects undoubtedly have blocked any major organizing advance into new territory for the time being. As has been said, percentage-wise, unionization has not kept up with the growth of the workforce. The high-powered organizing campaign labor started to gear up right after the AFL-CIO merger never got off the ground.

Turning to the legislative front, defeat of the Kennedy-Ives bill in the House in August cleared the way for another attempt to write some new labor laws in the 86th Congress. But after last month's elections, nothing is in the cards which will cause the unions any trouble in their dealings with employers.

The Kennedy-Ives measure reflected the Senate's desire to produce some relatively "non-controversial" legislation which would not arouse active union opposition. It is hardly likely that voting majorities can be obtained in both houses next year for reforms going much beyond what the AFL-CIO leadership will accept. And the AFL-CIO certainly is not about to go along with the kind of provisions employers are most interested in—curbs on secondary boycotts, organizational picketing, compulsory union membership, and union monopoly practices.

What we can expect is that the unions, spurred by the Democratic sweep in November, will launch a vigorous drive to emasculate the Taft-Hartley Act. In the 85th Congress the lawmakers treated organized labor with kid gloves. In the 86th they stand to be even more deferential and may give the unions a good part of what they want. Ironically, despite the legislative disclosures of shocking union abuses, the election returns are going to throw employers back on the defensive in Washington in 1959.

Legislation for reform?

The McClellan investigation will continue for a while—probably for some months, at least. The pressure it exerts for new legislation, however, is principally in the direction of internal union reforms—election and administrative procedures—rather than union-employer relations. One thing to watch

for is a move in Congress to separate these two areas completely for law-making purposes. One influential member of the House Labor Committee has called for this tactic as a means of getting some kind of clean-up legislation on the books without tackling the knotty Taft-Hartley amendments on which Congress has been stalled on dead center for ten years.

One of the most significant developments of the past year, certainly, has been the newly aroused business interest in politics, stimulated in large measure by management desire to counterbalance the political influence of organized labor. From all indications, the business-in-politics move has begun to catch on in a big way. But its full impact can't be felt for some years.

Employer collapse in the face of unabashed union power plays at the bargaining table is an old story. Business men have talked a good fight on holding the line for many a year, only to cave in when the union starts to talk strike. This year, however, there's pretty good evidence of a new management firmness and resourcefulness in negotiations.

Management stands its ground

As Robert Newcomb and Marg Sammons pointed out in DR&MI ("Management Tries Some Straight Talk," November 1958) the harsh dollars-and-cents realities of the recession caused many managements to try a new brand of straight-from-the-shoulder talk with their unions—laying the economic facts of life right on the line in unmistakable fashion and backing the talk with follow-through. And time and again it worked.

The question is, will this new management bargaining posture turn out to be merely a passing manifestation of recession economics? Or will it carry over into future negotiations and become rooted in management policy because as an attitude or approach it is equally sound in good times and bad?

What will be the big non-wage issues in 1959? The bellwether negotiations will be in steel where the current three-year agreements expire next June. Steelworkers' president David J. McDonald has made it plain he is through with the "mutual trusteeship" concept he pursued for a time with the big steel companies. Stung by a formidable revolt against his leadership last year, he has taken a much more militant line of late. If the steel business is anywhere near healthy when McDonald sits down to bargain, we can expect him to go all out to try to outshine his arch rival, Walter Reuther.

The Steelworkers' convention in September approved a set of tentative 1959 bargaining goals. A principal focus was on liberalization of current pension provisions. The union called for retirement on full pension regardless of age after "reasonable" service, extension of vesting provisions, more liberal benefits for workers' survivors, and numerous other improvements. "A more stable, less complex, and generally improved" SUB plan was also put on the bargaining agenda. Some say the shorter workweek may be talked up by McDonald in 1959, too.

What labor wants

As for over-all union goals, there is no reason to believe that the labor leaders have run out of startling new demands to lay on the table in the manner of the pioneering proposals for pension and welfare benefits, the guaranteed annual wage, the four-day week, and negotiated profit sharing. The fertile minds of the big union leaders may be expected to produce more imaginative schemes over the years.

But for 1959, the main bargaining is likely to center on labor's efforts to liberalize benefits it has won in the past. The Steelworkers' interest in improved pensions and a better SUB plan probably is indicative of the general direction union demands will take. The pension field alone provides fertile ground for many years' negotiations in most companies. The unions can keep pressing right up to the point where retired workers and their families are provided with the means to maintain the same standards they enjoyed during their working years.

The recession brought the whole subject of income security even more to the forefront. Employers can expect a continuing union push to give workers more protection against unemployment in the form of new or improved SUB plans or severance pay arrangements. This was a focal point of auto industry bargaining in 1958 and will be so in steel in 1959.

Individual industries and companies, of course, will have their own special labor-management problems which often overshadow the big national issues.

THE AUTHOR • Now director of industrial relations for the Commerce and Industry Association of New York, Inc., Horace E. Sheldon formerly was a labor relations representative for the metropolitan New York milk industry. In that capacity he participated in labor negotiations involving more than 200 employers. Mr. Sheldon also served as field agent to the National Labor Relations Board. A graduate of the College of Engineering of New York University, Mr. Sheldon holds a master's degree from the New York State School of Industrial Relations at Cornell University.

Sometimes it's a tough seniority hassle or a jurisdictional squabble. And the unions naturally will want new concessions and continued improvements on holidays, vacations, shift differentials, jury pay, and the like. These are the fringe items which lack the bargaining glamor of the big issues, but collectively they run into a lot of money.

A U.S. Chamber of Commerce survey of 1,020 companies for 1957 shows non-wage or fringe benefits cost the typical employer 47 cents per manhour worked or $981 a year for each employee! That was about 22 per cent of payroll. For 102 companies which participated in the Chamber's first survey in 1947, the portion of payroll costs taken by fringes jumped from 15 per cent to 24 per cent over the ten-year period.

An employer's market

A continuation of our higher-than-usual level of unemployment (bypassing the question of how high is high), of course, would have important repercussions for employers. During the recession companies cut back personnel in both offices and plants. Some concerns have reported just as much work seemed to get done with a lot less people, so they will be slow to rehire to former levels as things pick up. Recession cost-cutting also stimulated operating economies, many of which will result in a lasting reduction of personnel.

The whole atmosphere of the labor market was changed by the recession. Employers could be choosier about whom they hired and whom they kept. This, of course, is something we can't expect will continue if we should start running short of workers again in 1959. But to the extent that unemployment stays up, many companies will go on running a "tighter ship."

Turning to the professional jobs, the college recruiting picture for 1959 is still a little hazy. College hiring was hard hit by the recession. Lots of companies abandoned their sorties to the campus entirely last year; others cut back drastically. Many companies are still unsure of their 1959 plans. They will decide how many college seniors to go after as business prospects shape up more clearly.

But the class of '59 should have more offers than the class of '58. As of now, however, it doesn't look like the kind of scramble for college youngsters that sent starting salaries through the roof a few years ago. Many recruiting specialists think hiring rates will stay about the same next year.

However, that doesn't hold for engineers. A recent Government study forecasts that industry will need about 50,000 engineering graduates next year. But only 39,000 will be getting their degrees.

The rapid bounce back from the recession is pointed up sharply in the professional and managerial field. Experienced scientific and executive personnel are likely to be hard to find in the next few years. The executive recruiting business is booming again after a recession drop-off.

Recruiting and training executives

What seems to be a still growing concern over finding and training management talent is highlighted in the responses of DR&MI's Presidents' Panel this month to the question, "What do you think your company's No. 1 personnel problem will be in 1959?" More than half pinpointed some aspect of this concern over management personnel (see page 28).

The business dip hit the executive pocketbook a lot harder, relatively, than the factory-worker or even middle-management wallet. According to McKinsey & Company's latest annual executive-compensation survey, the top management group in the 642 concerns studied earned only 1.0 per cent more in 1957 than in 1956. This was way below the 5.1 per cent increase in 1956 and 6.3 per cent rise in 1955. The American Management Association has reported that middle-management salaries went up 4.8 per cent from January 1957 to January 1958, compared to a 5.8 per cent jump from 1956 to 1957.

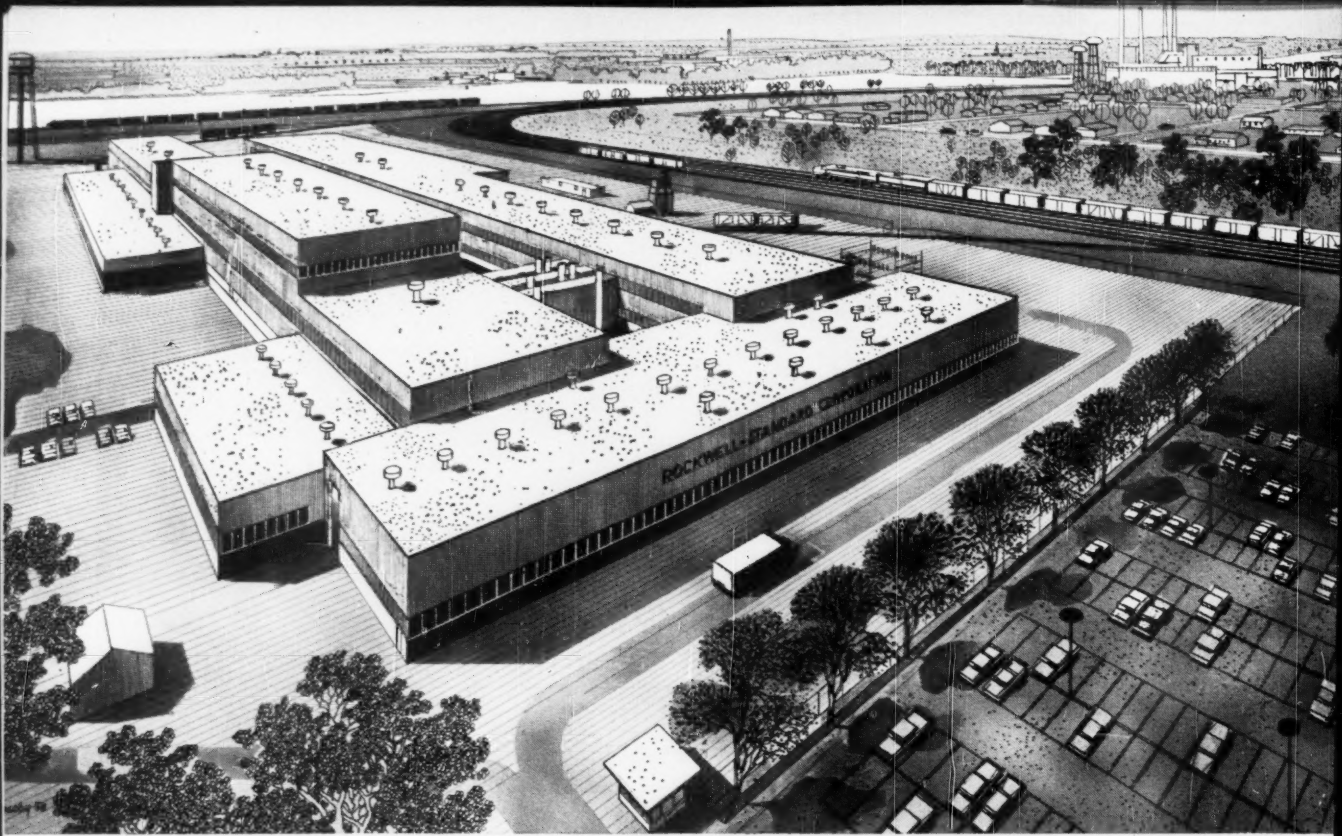
There seems to be considerable feeling that healthy pay boosts will be in order for executives if things continue on the upgrade in 1959.

Manpower and the future

Employers should not let the recession experience obscure important implications of the long-term manpower outlook. Until business began to slacken last year, the main focus looking ahead was on "where are we going to get the people?" Assuming the recession was but a temporary pause in our nation's robust economic growth, our long-range worry of a year or two ago over manpower shortages should remain our concern now.

The low birth rates of the 1930's and increasing life expectancy may combine to create some serious stresses and strains in the next few years. Population projections show that in the period from 1957 to 1965 the number of persons in the 25-to-44 age group—the prime working years—will *decrease* by more than 700,000. But it has been estimated that it will take 74 million workers to produce the gross national product we should achieve by 1965.

It is plain that as a nation we must carefully husband our human resources. Employers must keep their eye on that overriding fact, no matter how the employment market winds shift at the moment. END



Rockwell-Standard's new bumper plant at Mishawaka, Indiana which now employs more than 600 persons.

"Here at Mishawaka," suggested New York Central

"Fine location!" replied Rockwell-Standard!

CHOOSING A PLANT SITE is certainly not that simple—but when Rockwell-Standard was looking for a site for their new auto-bumper manufacturing plant, they asked the New York Central for suggestions.

The site would have to be close to Rockwell-Standard's steel suppliers and to the automotive centers; the geological structure had to be strong enough to support the foundations for heavy hydraulic presses; of course, an ample supply of skilled labor was needed; and a dependable source of power and water for immediate and future requirements was vital.

After making a thorough study of these requirements, New York Central Plant Site Consultants came up with several recommendations. From these, Rockwell-Standard management decided on a 110-acre site in Mishawaka, Indiana, a few miles east of South Bend, and serviced by the New York Central.

New York Central enlisted the co-operation of all concerned—property owners, local utilities, civic leaders—and for its own part, showed how the flow of materials to and from the plant could be handled most economically.

What the Central did for Rockwell-Standard, it can do for you, whatever your special needs. This service is available without charge and on a strictly confidential basis.

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7. Cleveland
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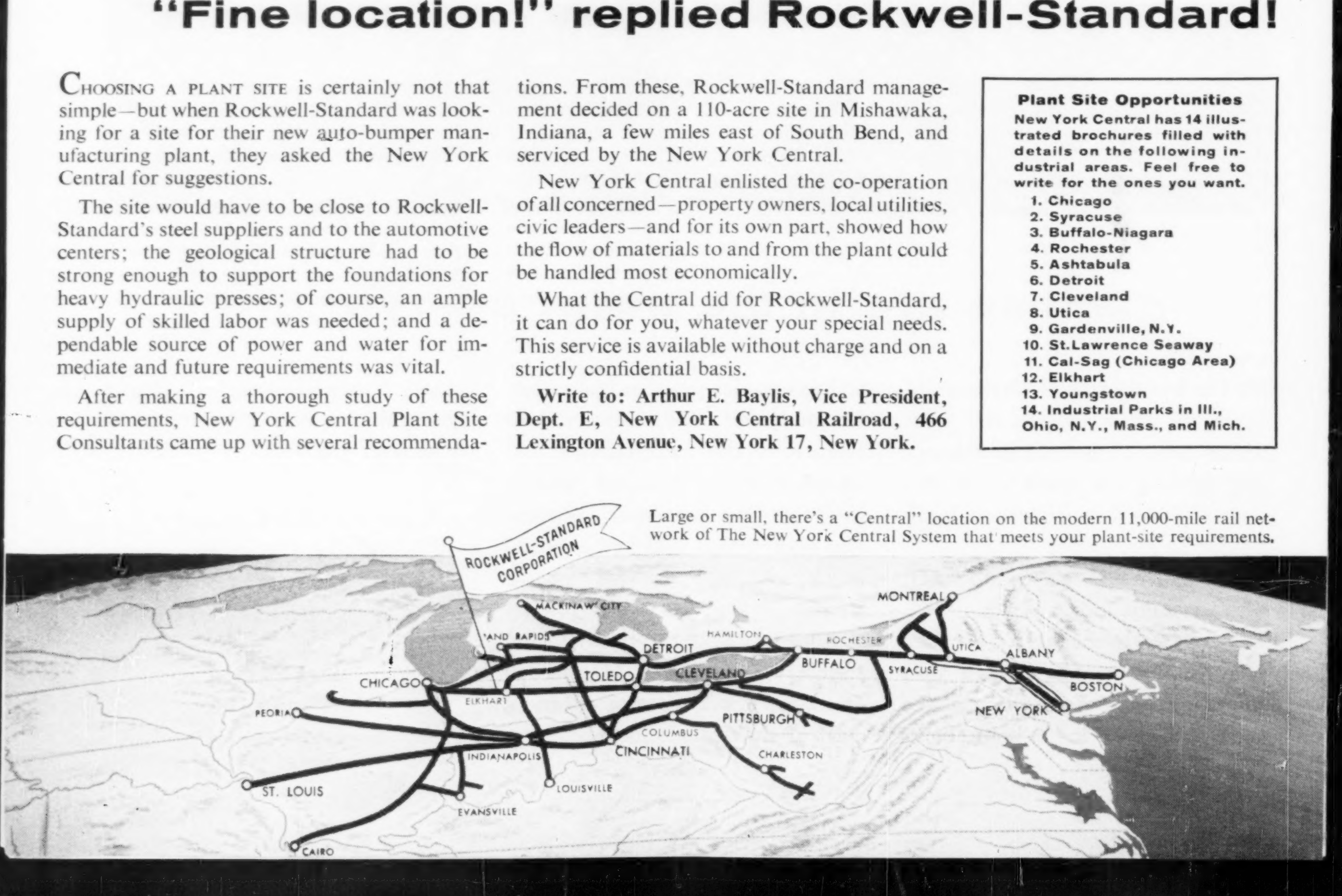


Capital Views & Previews

Wanted: Your Support for a Sound Dollar

Uncle Sam can't "go it alone" in the fight against inflation.

PAUL WOOTON, *Contributing Editor*

A CLEAR mandate from an informed public, alert to the dangers of inflation and determined to block unsound fiscal policies, is the best means of helping the Government resist the pressures of special-interest groups whose pet spending programs could upset the national economy.

This is a major element in the prescription for dollar stability offered by Raymond J. Saulnier, chairman of the President's Council of Economic Advisers. Because our economic system is becoming more and more sensitive to fiscal and monetary policies, Saulnier believes the public generally, and business men particularly, must have a broad knowledge of what is sound and unsound policy and must make their opinion felt in Washington.

Raymond J. Saulnier

"Public insistence on sound fiscal practices and on non-inflationary wage and price policies is absolutely essential if we are to have economic growth together with a stable dollar," Saulnier told a DR&MI editor in a recent interview. He urges that business men cooperate actively in an economic education program which would equip the public to evaluate Governmental and private actions intelligently.

It was the backing the Administration received from an informed public that enabled it to resist pressures early in the recession for a big tax cut and for massive public works spending, Saulnier believes. He credits support from the business community with helping to prevent a deliberate reduction in receipts and for the fact that only a small percentage of the flood of new public works proposals were adopted.

As part of its responsibility to maintain a stable economy, the Government is seeking to improve its statistical services, the Presidential adviser said. Funds have been made available on the Council's recommendation for additional statistical information that is aiding business men in making valid and timely decisions.

New quarterly estimates of the total output of goods and services in constant dollars have been issued. Retail and wholesale inventory surveys have been expanded, and more reliable estimates of service trade receipts have been made possible. Additional surveys are being done on consumer credit, manufacturers' sales and new orders, construction, private investment in foreign countries, wholesale prices of machine tools and other capital goods, hours of work, productivity in other industries, and family budgets.

Speeding data to business

Data from the forthcoming censuses of business, manufactures and mineral industries, population and housing, agriculture, and the census of governments will be released more promptly than in the past.

Saulnier feels that every trade association and business group should encourage its members to take full advan-

tage of the information available from Government sources. It will do much, he believes, to illuminate the background against which business is conducted.

Preserving the value of the dollar is a major responsibility of Government, and Saulnier believes the Administration's vigilance has reduced the inflationary danger.

In Saulnier's office a large graph conspicuously placed on an easel shows the trend of consumer prices: food prices, prices of all goods other than food; and the costs of services, including rent. The curves support his contention that consumer prices have been more stable recently than people think. Saulnier calls attention to the fact that prices of commodities other than food have not fluctuated materially for a year. The sharp increases in the prices of food in early 1958 were not due to inflation but to the damage to crops from freezes, droughts, and floods.

Other specialists who watch price fluctuations have advised the Council that the consumer price index will not vary much in the next twelve months.

Weapon against inflation

Chairman Saulnier believes the clear-cut monetary policy followed by the Administration has helped reduce fears of an early decrease in the buying power of the dollar.

It is true, Saulnier admits, that the Treasury must borrow heavily, and perhaps in large part from the commercial banking system. Banks, in turn, will have to be supplied funds by the Federal Reserve—a transaction that some people have dubbed "creating money out of air."

Such a transaction, Saulnier says, involves inflation in a different sense than is commonly understood—not an increase in prices, but an increase in money supply. Saulnier points out, however, that the total of money outstanding—the total of demand deposits and currency outstanding—is only a small percentage over that of a year ago, less than that at the end of 1957, and much less than at the end of 1956.

Despite the moderate policy of the Federal Reserve Board, credit has been stepped up materially. But Saulnier contends the FRB cannot properly be charged with having followed an inflationary course.

The Council of Economic Advisers, with the assistance of the interdepartmental Advisory Board on Economic Growth and Stability, helped the Administration formulate what Saulnier regards as an intelligent policy for dealing with the recession—the policy least likely to result in an unhappy inflationary aftermath.

"We are hard at work on policies to prevent inflation," he says, "and we intend to be successful." END

GEARING SALES PAY
continued from page 37

But if the attitude of management toward salesmen's compensation and fringe benefits is growing more liberal, it is taking a harder look at sales costs in general and expense accounts in particular. Again, the recession deserves credit for the more careful scrutiny given sales costs. With sales down and salesmen's earnings up, something had to give, and that something was the expense account.

Entertainment, travel, and telephone bills are bearing the brunt of the cost cutting. One engineering-manufacturing company bluntly says it will seek to reduce expenses by "requesting explanations of items that seem out of line and in other ways impressing upon the salesmen that unreasonable expenses are not condoned."

Fewer parties, more profits

One concern will lean toward "more discreet entertainment — though by others' standards we are already far below average," while another concern will entertain "only when necessary."

More than 10 per cent of the companies have instructed their salesmen to cut down on time spent with less important accounts. Some have told their salesmen to shun small orders.

Also, companies are placing greater emphasis on the profit on the salesman's orders, rather than the gross amount of the orders. The most common method of encouraging salesmen to sell higher-profit items is to offer a sliding commission scale, with the commission percentage increasing roughly in ratio to the profit percentage. A manufacturer of laboratory and indus-

About This Survey

The DR&MI survey cited in this article is based on 64 representative concerns in 21 states. Companies ranged in size from one employing 9,000 salesmen and grossing more than $4 billion last year to one with five salesmen and $2 million gross sales.

Most of the replies were from the heavily industrialized Middle Atlantic and Midwest areas—37 per cent from each region. New England provided about 11 per cent of the replies, while the South accounted for slightly more than 8 per cent. The remaining 7 per cent came from the West Coast.

Manufacturers of industrial and consumer products comprised the bulk of the companies surveyed; the balance were wholesalers. Only full-time salesmen were covered in the survey questions. Retail and door-to-door salesmen were excluded.

trial equipment accomplishes this in reverse—by paying commissions on Government orders based on 40 per cent of the sale because of the low profit margin on such orders.

Another method, fairly widely used among companies attempting to encourage sales on high-profit items, involves the use of bonuses. Quotas are set on each product within the line, with highest quotas set on the most profitable items. Bonuses are paid on attainment of these quotas. One company pays a bonus for goods sold in one section of the country where selling costs are low.

Nearly a third of the companies surveyed contemplate some immediate changes in their salesmen's compensation plans, with most of the emphasis on ways to whet individual initiative. Commissions and bonuses, therefore, will account for a higher percentage of the salesmen's compensation.

THE AUTHOR • As an editor of *Vend* magazine and a contributor to *Billboard* for the past five years, Aaron Sternfield has reported extensively on distribution and marketing problems. A former editor and publisher of the Brookline (Mass.) *Chronicle*, Mr. Sternfield began his career as a reporter on the Bismarck (N.D.) *Tribune*. After a stint on the copy desk of the Atlantic City (N.J.) *Daily World*, he became feature editor, news editor, and editor, successively, of *Hunting and Fishing* magazine.

Several companies which now pay by straight salary will inaugurate bonus systems based on assigned quotas. Others will expand their existing bonus and commission incentives.

A silverware manufacturer who pays 75 per cent by salary and the remaining 25 per cent by commissions, after a designated sales volume has been reached, will switch the ratio to 60 per cent salary and 40 per cent commissions.

The incentive ratio

There is no standard ratio of salary and incentive. A manufacturer of power transmission equipment feels that when the incentive portion of total compensation is less than 20 per cent, the salesman is not likely to put forth anything close to maximum effort. This company plans to increase the bonus and commission percentage of its salesmen's incomes from 20 to 35 per cent.

In addition to providing a base salary to cover normal living expenses and an incentive element sufficient to permit the salesman to reach his income objective, many plans today take into consideration territorial inequities among salesmen and selling costs. One such plan has recently been put into effect by a manufacturer of welding equipment.

Territories are broken down into three

categories—concentrated areas with large industrial accounts, areas with scattered industrial accounts, and large areas with few potential accounts.

Trainees and beginners get the last-named areas, men with some experience get the second areas, and exceptionally qualified men get the prime areas. Advancement from the least desirable to the more desirable territories is based on performance. Each salesman is told his territorial quota and expected sales costs. Bonuses of 8, 10, and 12 per cent are paid on a graduated scale.

The company explains: "In figuring bonuses, a certain volume which is paid for by base salary must first be reached. No bonus will be paid on sales below the base amount. The bonus on volume between the base and the midpoint will be paid on the basis of 8 per cent of net. Between midpoint and quota, the bonus will be 10 per cent, and above quota it will be 12 per cent."

Costs are taken into account. If the salesman's expenses exceed the budget, $10 will be added to his sales quota for every $1 he exceeds his allowance. In other words, if a salesman spends $10 more than his normal operating expenses, he is expected to produce $100 more business.

The cost control can also work to the salesman's advantage. For every $10 reduction on operating expenses, $100 is deducted from base, midpoint, and quota. Bonuses are paid quarterly, with 75 per cent of the amount going to the salesman and the other 25 per cent charged against quarters in which the base is not met. If anything remains in the fund withheld at the end of the year, it is then paid to the salesman.

Contests, pro and con

Slightly more than half the companies replying to the survey say that they conduct sales contests as an added incentive. In most cases, the prizes are merchandise or vacation trips, but about a third of the companies offer either cash prizes or an option of cash or merchandise. Most of the companies employing sales contests will either continue them at the same rate in 1959 or step them up.

Many managements feel that sales contests are effective only when held occasionally—otherwise the pressure on the salesman can become so great that his morale may suffer. And salesmen don't regard prizes as a substitute for cash income. Most companies prefer to give merchandise or vacation trips rather than cash, because the trip to Bermuda will be a more lasting reminder of the rewards for top performance than cash, which is likely to be spent in a hurry.

Most companies using contests to spur sales run them two or three times a

year. Much of the emphasis in sales contests today is given to developing new accounts and promoting new products. The salesman often competes not with other salesmen, but with himself. Prize winners are often selected by a point system based on quota and the salesman's previous record.

Fairly representative of the permanent contests is the one conducted by a greeting card manufacturer. Monthly quotas on all lines, based on the salesman's previous year's performance, are assigned. As each seasonal selling period comes up, the salesman is assigned quotas for the first three weeks' seasonal sales in both dollars and number of accounts sold. The salesman gets "plus" points when performance meets or exceeds quotas, "minus" points when quotas are not met.

The company issues a 1,500-item prize catalog, with prizes ranging in value from a bottle of cologne to a color television set. The salesman can accumulate points and save them for the item he wants. Extra points are given for accepted selling suggestions, and the top three point winners for the year get cash prizes totaling $2,400.

How much they earn

According to the survey, the average salesman's income was $9,097 last year, while the median figure was $8,450. Highest company average was $25,000 paid by a small furniture manufacturer whose salesmen work on commission and pay their own expenses. Lowest company average ($4,000) was reported by a fertilizer company which pays mainly by salary.

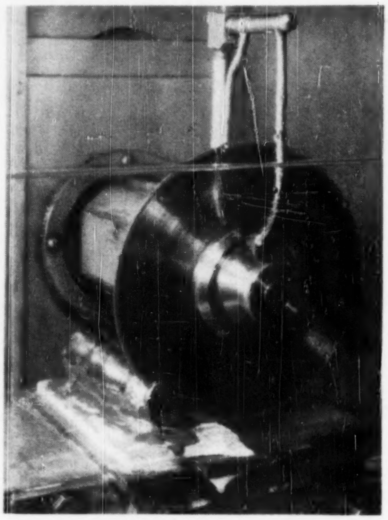
The average company high-low compensation range was from $6,190 to $15,587. Lowest figure in the low range was $3,600, while the top figure in the high range was $80,000.

The amount of money in the salesman's pay envelope does not tell the whole story, however. Managements seeking ways to increase their salesmen's productivity are becoming more and more convinced that *how* the salesman earns his money is often as important as how much he earns.

For the most part, companies still paying their salesmen straight salaries deal with highly specialized products which require some technical or engineering background on the part of the salesman. Wholesalers generally pay straight commission.

But nearly three-quarters of the companies surveyed feel that the emphasis on security as represented by salary may tend to dull the salesman's initiative. They are seeking a formula which retains enough of the security element to take care of the salesmen's basic needs, while supplying enough of an incentive so that he'll be eager to push his sales over the quota. END

PROFITING FROM RESEARCH
continued from page 40



NO BALONEY: *That's costly germanium being sliced under water by a diamond cut-off wheel at Audio Devices' plant. These "Diatronic" wheels can also cut fully-hardened steels, glass tubing, and tungsten carbide to great accuracy. Developed by North American Aviation engineers, they are available for license.*

Unfortunately, there is no clearing house for information on products available for manufacturing licenses. Organizations that can supply some such information are the Research Corp., New York, and the Inventions Management Program, A. D. Little, Inc., Cambridge, Mass. Generally the inventor's company makes the first move. From past examples of licenses granted, it's apparent that the licensees selected are either neighbors or companies already well known for producing related products. The Gulf Research & Development Corp., Harmersville, Pa., for example, is licensing its gas-partition chromatograph "Partitioner" (see photo page 40) to the Fisher Scientific Company in neighboring Pittsburgh.

Small manufacturers may write to giant corporations with substantial technical departments inquiring about possible licensing deals. However, a solid connection to the industry grapevine and personal contact is likely to be much more productive.

In an era of heavy competition, any new source of income should be investigated, even by the billion-dollar manufacturers. And for the small manufacturer this cooperative relationship could mean a substantial increase in business, without the necessity of undertaking costly R&D programs that only a big company can risk with ease and a statistical assurance of success.

END

WASHINGTON OUTLOOK
continued from page 35

1960 Presidential election." It won't be the only issue, but it will be the overriding one, and it will color both Democratic and Republican attitudes.

Consider Congress. The two Texans, House Speaker Sam Rayburn and Senate Majority Leader Lyndon B. Johnson, will continue to follow the strategy that they have pursued with marked success for the past six years. They decided in 1953 that the proper approach for the Democrats lay in developing a constructive, relatively moderate legislative program while shunning personal attacks on the popular hero President. Their strategy has paid off with commanding Democratic Congressional majorities, and they now hope it will carry a Democrat into the White House.

All the indications are that their approach during 1959 will be marked by a more critical attitude toward Administration handling of foreign policy and a more vigorous push for the enactment of social welfare legislation. Neither Speaker Rayburn nor Majority Leader Johnson is about to give the liberals their head, but they will be forced to make more concessions.

Conflicting desires

The Administration's position is less easy to predict, for Mr. Eisenhower's objectives don't entirely square with Mr. Nixon's Presidential ambitions. The Chief Executive is deeply perturbed by the sharp jump in Federal spending and by the looming budget deficits. Mr. Eisenhower wants to be remembered as a President who balanced the budget, not as a President who posted the biggest peacetime deficit in history. He wants to be remembered as a President who gave the country a sound dollar and stable prices, not as a President who let the value of the dollar fall 8 cents in two years.

Mr. Nixon has a different problem. He wants to be elected President of the United States in 1960, and he wants the present Administration and the Congressional Republicans to build a record he can run on—or that at least he will not have to run away from.

The Vice President is not blind to the political appeal of a balanced budget and stable prices, but he also has the professional politician's keen awareness of the value of the bread-and-butter economic and social welfare issues that attract the broad mass of voters. And Mr. Nixon's success in inducing President Eisenhower to adopt his own bitter, slashing campaign tactics this Fall suggests that his influence in White House councils may be on the rise.

The ultimate attitudes of Congress and the Administration will be strongly affected by international developments

and the course of the economy. A fresh series of international crises would heighten the pressures for bigger defense and foreign aid programs in 1959. In the absence of a new emergency, defense spending will still rise as outlays mount for the technologically advanced weapons, while foreign aid once again will be caught in a tug-of-war between the internationalists and the isolationist-economy bloc.

The chief domestic challenge facing the country is the critically important task of regaining high employment without touching off another inflationary spiral. The Administration and the Federal Reserve System are convinced that price increases must be halted if the American people are not to decide once and for all that inflation is unavoidable and inevitable.

The Administration even now wishes that some of the anti-recession spending programs had never been approved, and the President had endorsed a hard-handed budget policy that leaves little room for welfare programs of the type that Mr. Nixon might be tempted to advocate. The pressure from the White House is to reduce spending—not to increase it. The certainty of rising military outlays is tightening the squeeze on domestic programs.

Going slow on tax cuts

The fear of a runaway Federal budget helped persuade the Democratic and Republican Congressional leaders in 1958 that the national interest requires Congress to pursue moderate domestic policies. The Democratic Congressional leadership resisted rank-and-file pressure for an anti-recession election-year tax cut because of the size of the anticipated budget deficit. The same key members of Congress are not likely to run amok in 1959 at a time when inflation, not recession, threatens.

A tax increase to halt inflation no longer is the utterly ridiculous possibility that it would have seemed during the 1955–'57 boom. It doesn't appear to be in the cards at the moment. But a combination of a big budget deficit and climbing prices could lead to steeper tax rates.

The 86th Congress will come under conflicting pressures for anti-inflation and anti-recession measures when it meets. Business activity will be rising, but the customary Winter slack will be simultaneously adding to the number of unemployed. There will be vigorous demands for enactment of a modified version of the depressed areas bill that Mr. Eisenhower vetoed after Congress adjourned. Pleas will be voiced for further liberalization of the unemployment compensation program.

There is persistent talk, too, of putting forward a "tax revision" bill that would eliminate the present selective excise tax system in favor of a uniform manufacturers' sales or transactions tax. Liberal opposition to this across-the-board tax has lessened, and the proponents of the levy think their chances are better than they have ever been before. This may be true, but the prospects for enactment of a general manufacturers' tax still seem exceedingly slim. Observers think the measure won't clear the House Ways and Means Committee.

One of the first measures that will reach the floor after Congress comes back will be an omnibus housing bill. The 1958 omnibus measure was too generous to suit the Administration, and it was killed in the House. The bill provided funds for a number of established housing programs, and quick endorsement of a more modest measure now is anticipated.

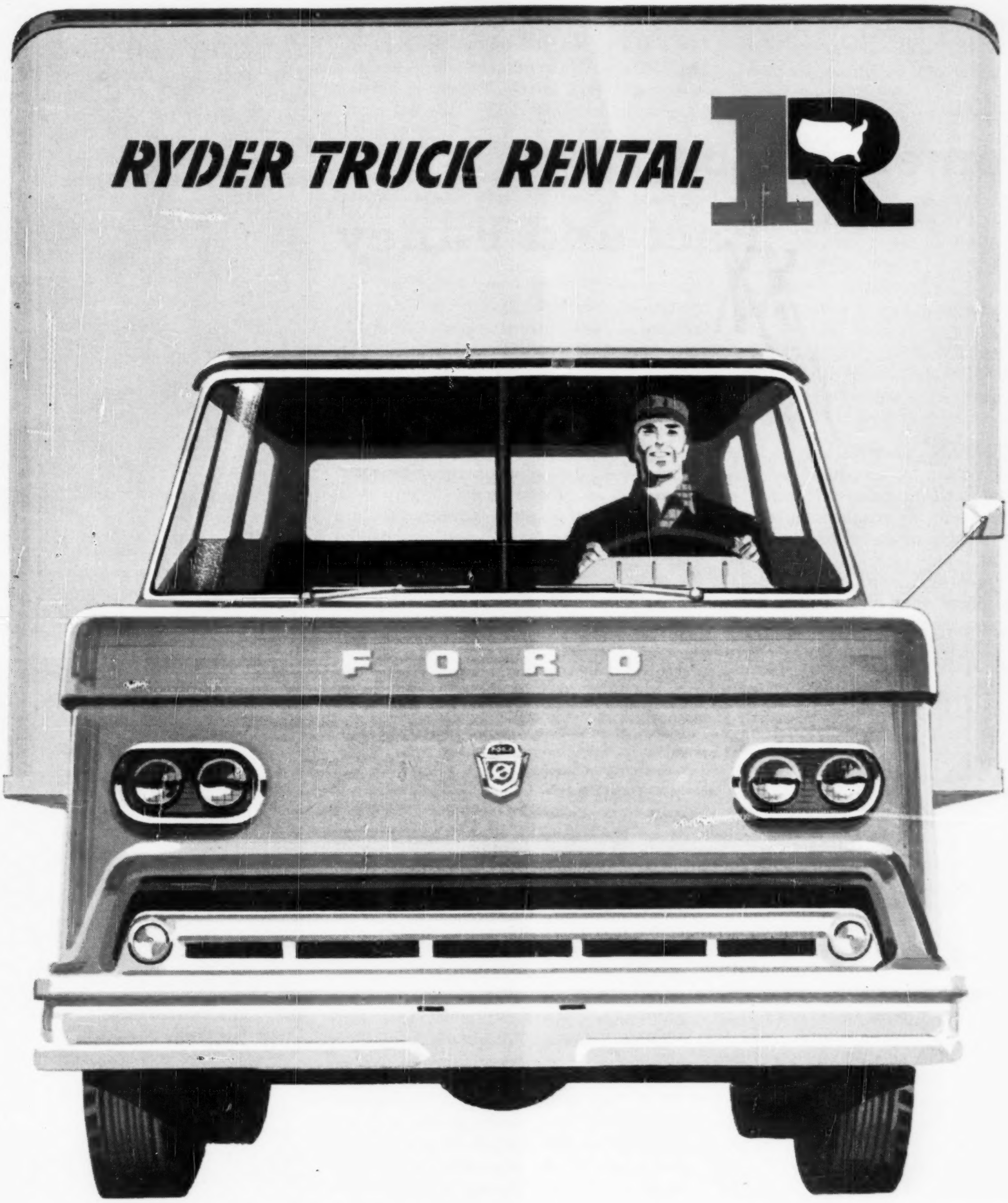
Battlegrounds as usual

Many of the 1959 legislative battles will be new rounds in continuing struggles over familiar issues.

The Social Security program has been liberalized in every election year since 1950, and it presumably will not be brought up again until 1960. But pressure for a higher minimum wage and broader coverage is expected to be felt in 1959. The Tennessee Valley Authority bond financing plan will be back for another go-round, as will statehood for Hawaii, the minerals subsidy bill, and the Administration's unsuccessful requests for a pre-merger notification measure and less stringent immigration limits. There will be an attempt to resurrect the sharply controversial natural gas bill, and the Congressional right wing will renew its campaign to curb the Supreme Court. The omnibus banking revision bill died in a deeply divided House Banking Committee but it will come up again, as will the Federal Reserve System's bid for authority to modify the reserve requirements structure. Mr. Eisenhower will have to win still another boost in the debt ceiling. He may ask, too, for authority to offer investors more generous savings bond terms.

The Administration registered one major legislative gain toward its free market goals when Congress last August yielded to Secretary of Agriculture Ezra Taft Benson and passed a bill which lowered the price supports for cotton, corn, and rice—three of the six "basic" crops. The lawmakers opened a crack in a door that Mr. Benson will try to fling wide by winning similar concessions for the remaining three basics—wheat, tobacco, and peanuts.

The Agriculture Secretary may not be able to repeat his 1958 triumph, but his victory demonstrated that a profound change has taken place in Congress. The once-solid farm bloc has been shattered. Its power is declining. END



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Women Executives: Fact and Fancy

CLAIRE TRIEB SLOTE

THE WOMAN executive, slowed in her climb to the top by long-standing prejudices and misconceptions, is being re-evaluated today by managements faced with a shortage of first-rate administrative talent.

What are her assets and liabilities? On the minus side, she admittedly regards her career as secondary to family life, and she is seriously handicapped by tradition in both society and business. But, on the plus side, she is conceded to be creative, loyal, and better able to apply the "human touch" in management than most of her male colleagues.

Companies have begun to weigh all these factors in considering how the promotion of more women to top executive positions would affect the character of their administrative teams.

During the past two decades, women have been rising to higher echelons steadily, but—as a group—surprisingly slowly. As of last February, there were 1,047,000 women in the Census Bureau's "managers, officials, and proprietors" category (about 16 per cent of all persons so engaged)—compared to 677,000 in 1950 and 400,000 in 1940. But, when matched against the rise in the overall number of female workers for the same periods (22 million this year, 16 million in 1950, and 11 million in 1940) the ratio of women at the top to women workers in general has hardly soared.

As for the 2 million women currently in the "professional, technical, and kindred" group, the overwhelming majority are in teaching, nursing, and social work. In spite of the numerical increase in professional women, as a proportion of all such workers they are down from almost 50 per cent of the total in 1930 to 35 per cent in 1956.

Add to this the fact that, by Census classification, "managers, officials, and proprietors" can be anyone over foreman level and include many small shop owners—and it's clear the U.S. industry is not, and never has been, in danger of petticoat rule.

All of which points up two significant facts for management:

1. The relatively rare woman at the top is probably there because she's more than just a little bit better than her male competitors, not because she slipped in while men were scarce. As a result, she's as secure as any male executive could hope to be in these wobbly times.

2. Now, more than ever, industry needs truly creative leaders—people who'll carry full loads—and it can't afford to overlook the possibility that such a paragon may be lurking in a chemise.

Another important trend for industry to note is shaping up in the current statistics on early marriage and motherhood. Since 1940 the child-bearing rate has risen by 70 per cent for women aged 20 to 24. In its comprehensive report, *Womanpower*, the National Manpower Council points out that this means a shorter working period for women at the beginning of their working lives, but it also accounts for "the most spectacular development of recent years . . . the rise in employment of women over 30, most of whom are wives and mothers.

"Among married women aged 35 to 44 and living with their husbands, the

With top talent in short supply, more and more women are reaching management's upper strata. Will they perform as well as men, and how will their presence affect the character of management?

"Abilities, including executive ability, are matters of talent and experience and not related to being a man or woman."
ALICE LEOPOLD, *Assistant to Secretary of Labor*

"Time has a way of settling most problems of travel, entertainment, and social situations which confront the career woman."
LEE S. WORTHINGTON, *Director of Advertising and Corporate Secretary, Tranter Manufacturing Company*

"The only reasons against promoting women are the same as against promoting men."
ANNA M. ROSENBERG, *Anna M. Rosenberg Associates*

proportion in the labor force more than doubled between 1940 and 1955, from 16 to 34 per cent. Among wives between the ages of 45 and 64, the proportion nearly tripled in the same period, from 10 to 29 per cent."

To management this means a huge reserve of mature women, whose aptitudes, if any, may be rusty. On the other hand, as anthropologist Margaret Mead told DR&MI, "Here's a pool of women at the peak of their powers who are ready for training or retraining. A man over 40 is set in his business ways, but the woman who returns to business after her children are in school comes with a fresh, unhackneyed point of view."

"We are not biased against men executives. However, they must be as flexible, as capable, and as self-sufficient as women."
DOROTHY D. COREY, *Managing Partner, Facts Consolidated*

"Entree is somewhat easier for a woman executive, but once in, she really has to back up her words with action."
MOSELLE MEALS, *President, Taylor Chair Company*

"In a man's business I find it wise to meet the wives of men I deal with. They want to know what type of person I am."
MARGARET FELDMAN, *President, Fulcrum Oil Company*

Whether or not your company has women executives depends on many factors—even, conceivably, on the president's relationships with his wife and mother. In any case, there's a good chance that sooner or later you'll be working with a woman manager, in a supplier or customer company, in a government office or a consultant's, or in some other service organization.

There's nothing extraordinary about the woman executive as an individual. Her career progress is determined by the situation and her own abilities. But she does face some very special situations.

The average male might find it a lot easier to work with a woman executive as subordinate, superior, or equal if he thought about some basic questions:

- In which field is she usually found?
- What are her peculiar problems, and how does she handle them?
- Where is she heading?

A woman's place

Currently, women are found in virtually all occupations and professions listed by the Census Bureau. They're in the Armed Services, in government, in industrial management. They are teamsters, atomic physicists, engineers, bankers, real estate agents, clergy, artists, and automobile mechanics. They run newspapers, hospitals, stores, restaurants, colleges, hydraulic presses, and electronic computers. They are psychologists and mathematicians.

Of the current 1,047,000 women managers, some 485,000 are salaried, 385,000 are self-employed in retail trade, and 177,000 are self-employed in nonretailing businesses. The majority are found in retailing, eating and drinking, and personal service establishments —but they're gaining elsewhere.

Basically, women executives can be classified into two groups:

1. Those who get their jobs because they're women, either directly in such "women's fields" as foods, fashions, homemaking, cosmetics—or as liaison officers between the male business world and the vast, inscrutable army of women consumers and stockholders.

2. Those who get their jobs in spite of the fact that they're women. (Typical of the attitude toward this breed is General George Marshall's remark when he named Mrs. Anna M. Rosenberg Assistant Secretary of Defense for Manpower and Personnel: "This is either a stroke of genius or the greatest boner I ever pulled.")

In the first group are many of the most conspicuous success stories: Bernice Fitz-Gibbon, advertising and merchandising consultant who made advertising history for R. H. Macy and Gimbels; Mrs. Norma Geer, fashion coordinator for Celanese Corp.'s Textile Division; Elsie Frankfurt, president of Page-Boy Maternity Company, Dallas; Mrs. Frances Corey, senior vice president, R. H. Macy; Dorothy Shaver, president of Lord & Taylor; Jerry Stutz, president of Henri Bendel; Helena Rubinstein and Elizabeth Arden, presidents of their own cosmetic businesses.

Outstanding successes in the second group are chiefly one-of-a-kind cases like Mrs. Rosenberg, now a New York labor relations and public relations consultant; Beatrice Hicks, president of Newark Controls Company, Bloomfield, N.J.; Mrs. Margaret Kennedy, partner, Seligman, Lubetkin & Company, New York brokers; Mrs. Olive Beech, president of Beech Aircraft Corp., Wichita, Kans.

Where they flourish

Many women in the unlikely roles of presidents of stock brokerage, warehousing, scrap, brewing, oil, or aircraft companies were catapulted into the businesses by the deaths of fathers or husbands.

Whatever their differences, women in both the "women's" and non-women's fields share these characteristics:

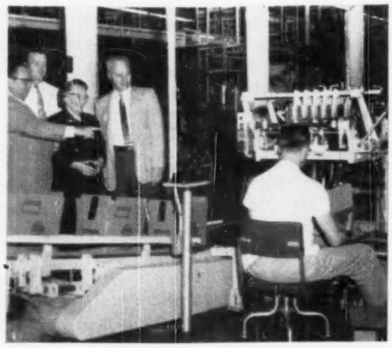
- They flourish in small and medium-size businesses.
- They have an easier time of it at the helm of their own enterprises—although raising capital is a major headache—than in large corporations.
- When they do turn up in big outfits, it's likely to be in staff rather than line positions.

After pointing out that the Radio Corporation of America has women scientists and engineers (and ex-WAVE director and college president Mrs. Mildred McAfee Horton on the board of directors "for her woman's point of view") General David Sarnoff, chairman of the board, said flatly: "We have no women at the vice presidential level. If you were to ask me to give one good reason why we haven't, I couldn't. It's just habit and tradition."

Habit and tradition are the woman executive's worst enemies. More often than not, because of prejudices carried over from childhood, men dislike the *idea* of working for women, rather than the actuality.

What's more, the woman boss has no safe, traditional behavior pattern to fall back on. As Margaret Cussler points out in *The Woman Executive*, a new research study sponsored by the Na-

A Woman Boss in Action



LEFT: *Production was one of Catherine O'Brien's first responsibilities when she started at Stanley. Her approach then, as now, was to go to experts and laborers to learn what she didn't know. Years later, when her production manager complained of poor relations with a foreman, she suggested, "Why don't you show him you know how to twist a brush yourself?" He learned, and never had trouble in that quarter again. Here she examines a new filling machine.*

Miss Catherine L. O'Brien, president of Stanley Home Products, Inc. is a one-woman answer to all charges of women's limitations as top brass. In the first place, she's on top of every phase of her business (see photos) by virtue of the fact that she's held just about every administrative job her company has to offer. What's more, she owes her ascent to nothing but her own ability and drive.

Giant among party-plan selling companies, Stanley was founded in 1931 by Frank Stanley Beveridge after he left Fuller Brush Company and took Miss O'Brien, his secretary, with him to run the business from the inside. She presided over a total payroll of seven employees.

Today the company's annual volume is over $55 million. Stanley has some 20,000 dealers throughout this country, Mexico, Canada, and Puerto Rico who sell a line of 150 different items for the home and personal grooming.

Here's how Miss O'Brien keeps the company going and earns her $75,000 a year in salary and commissions.

RIGHT: *New products are life-blood of the business. Miss O'Brien relies heavily on a committee system within the company and a consumer advisory panel (shown here) to weigh merits of some 200 potential newcomers to the line each year. But when the chips are down, she never shirks responsibility for making final decisions that whittle the list down to about eighteen.*

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tional Federation of Business and Professional Women's Clubs, there are plenty of standards for secretaries' conduct. But the woman at the top is in the peculiarly vulnerable position of having to improvise her own code.

Unhappily, almost any pose she strikes is bound to create resentment. Executive women are criticized for trying to act like men and for using their femininity, for a tendency to think in broad terms and for being too fussy about details.

Margaret Mead says in her book, *Male and Female:*

> To the woman who makes a success in a man's field, good behavior is almost impossible, because her whole society has defined it so. A woman who succeeds better than a man—and in a man's field, there is no other practical alternative to beating a certain number of men—has done something hostile and destructive. To the extent that as a woman she has beauty or attractiveness of any sort, her behavior is that much more destructive. The mannish, ugly woman may be treated as a man in disguise, and so forgiven her successes. But for the success of a feminine woman there are no alibis; the more feminine she is the less she can be forgiven.

At the heart of the matter is the fact that while a man is also subject to criticism, no one ever sums up his sins in business with, "Isn't that just like a man?"

Most women executives are acutely aware that their mistakes, as well as achievements, are somehow more visible. They also know that their performance will affect management's attitude toward promoting women in general. This makes some women executives nervous. Others find the challenge stimulating.

Her special problems

While each woman manager handles herself differently in each situation, all are subject, in varying degrees, to special problems in these areas:

1. Human relations.
2. Travel, entertainment, and other pseudo-social sides to the job.
3. Personal life as a job influence.
4. Pay—and underpay.

Human Relations: "Let's face it," said Miss Catherine L. O'Brien, president of Stanley Home Products, to a male assistant who protested that he saw no difference between a male and female boss. "You'd take a lot more from Mr. B. [her predecessor] than from me."

Miss O'Brien, who in her mild, almost motherly, manner presides over a large sales and production organization (see above), put her finger on the woman executive's basic problem in her relations with others: Neither men nor women take kindly to instruction or discipline from a woman.

Womanpower quotes employers as saying that women as well as men prefer male supervisors because under men they "can get away with more." Significantly, more older women than younger ones feel that a woman boss is more demanding and more likely to show partiality. On the other hand, where women supervisors are the tradition—as in telephone companies and department stores—women workers regard them without malice.

Even a goodly number of the women executives polled by DR&MI say candidly that men make better executives than women, if only because employees are accustomed to being managed by men. An overwhelming majority of these women also listed disciplining as the aspect they like least about their work.

The velvet touch

How does the successful woman executive handle herself with others? One president, although sole owner of her company, nevertheless uses the ancient feminine device of suggesting an action rather than issuing an order. "I try to make a subordinate think he had the idea in the first place," she says. Of course, the owner-manager has alternatives not available to the team executive, should the subordinate fail to see things her way.

Most women executives pin their hopes for acceptance on superior performance. They cite innumerable instances of men won over from sulky resistance to outright admiration when a woman proved herself under fire.

Not to be overlooked in the field of human relationships are the advantages of being a woman. She's usually able to ask more questions about things she doesn't know than a male executive would.

BELOW: *Distribution was another of her early responsibilities. As her job grew she kept splitting it up and handing over different phases to upcoming executives. As a result, she's conversant with everyone's specialty, keeps an eye out for her own successor, a chore she thinks is every president's first responsibility. Stanley is now in the midst of a five-year-plan to mechanize its order-handling and warehousing procedures. Here, with Vice President William H. Naylor, center, she checks new bookkeeping machine at Westfield Distributing Station.*

ABOVE: *Dealer relations now consume most of her time. Although 90 per cent of the force are women, Miss O'Brien didn't step into this phase of the business until after her predecessor's retirement. Now she finds her sex an asset. Presence of a woman in the president's chair and in a goodly number of home office executive spots is an inspiration to the rank and file. President O'Brien travels over 25,000 miles a year, then presides over this annual "Pilgrimage" at which prize-winning dealers are rewarded.*

ABOVE: *Employee relations come easiest, possibly because she has trained so many veteran employees from the time of their apprenticeships. In addition to the annual Christmas Party (above) and several other employee outings, she holds "Understanding Luncheons" with 30 different plant employees every two weeks. "I tell them how we're doing and answer their questions, face to face," she explains. Stanley isn't unionized. From long experience she's adept at smoothing over awkward social situations and putting her male associates at ease.*

Her "emotionalism" or "human touch" is often a business asset, even in a completely masculine field. Several women executives in such businesses as warehousing or oil refining maintain that their "women's approach" is the biggest contribution they can make to an all-male organization.

For example, in paying tribute to a woman officer of his company, a male executive said, "She combines an excellent knowledge of accounting and procedures with the kind of personal warmth that has the girls telling her things they'd blush to relate to my assistant or me."

The pseudo-social side. Travel, entertainment, membership in trade and professional organizations—all are mentioned by women executives whom DR&MI queried about their difficulties.

As far as memberships are concerned, the problem, as *The Woman Executive* points out, "is not only of actual barriers of membership in the most influential clubs where an important guest might be taken to lunch (or in the obviously exclusive camaraderie of the men's room). The pressures are somewhat more subtle. While the executive dining room of a large corporation may be available to women, it takes a woman of considerable aplomb to join the gentlemen naturally and uninvited, as a man in her position might."

Without ready access to the informal gatherings of her fellow-executives, the woman executive tends to socialize with other female employees who are often on a lower career level. More important, she's cut off from a vital, if small, segment of communication with her professional teammates.

Traveling in a man's world

Headaches of traveling and entertaining vary with the type of job. Some women executives aren't faced with such problems at all. Others have the knack of putting men at their ease. These women know how to listen and, most important in predominantly male gatherings, they know when to make a graceful exit.

Most veteran women travelers have worked out their own systems. One woman president now travels everywhere with her younger brother who works for the company. He handles luggage and visitors and frees her of details and embarassment.

Picking up the check is another mere detail that's mechanical for any male executive, but positively dangerous for a woman. Most solve this one with club memberships and credit cards. Somehow the male guest finds it less of a strain if his hostess signs for his meal instead of shelling out cash.

A number of other small irritations can get under a woman executive's skin if it isn't tough enough, and fear of embarrassment can stifle a woman's professional conviviality when she's away from home base.

Other problems for women executives at conventions: Should she take an escort? How can she avoid alienating wives? Should she accept an invitation to have a nightcap? Margaret Cussler observes, "There are uncharted shoals in these bourbon and branch waters!"

Hearth, home, and high finance. "We don't promote women to top jobs because, somehow, we don't quite consider them permanent. There's always the chance they'll marry and quit." Like most cliches, this one has a lot of truth.

Most working women, including top executives, will tell you outright that home and children are more important to them than careers. For the unmarried ones this is, of course, pure theorizing. As for the ones who do have families, they have made adequate arrangements for household help from the beginning, or they wouldn't be working.

Few are job hoppers

Actually, though there is the possibility that a woman executive will leave at any moment for motherhood, at least she's less of a job shopper than the young male executive. Unlike a man, whose onward and upward march usually involves a fair amount of zigzagging among employers, women executives tend to stick with the company that elevates them. If she's happy at her job, a woman manager is all the more reluctant to skip off to a competitor and risk her hard-won comforts.

Nor should management lose sight of the fact that the woman executive is almost a professional team worker, possibly because she's spent so many years trying not to antagonize anyone. And

when it comes to the end of the promotion line, she will (especially if happily married) often accept the limitations more readily than a man who might feel that he must always go up, even if on another company's ladder. Loyalty of women executives is even more of a phenomenon in face of the real (as well as imagined) pay inequities under which she labors.

Undersized paychecks. Are women executives on an equal footing, salary-wise, with men? It depends on the industry, the company, the job. Some women report that their titles have been juggled to do them out of the salaries that should accompany their responsibilities.

Generally, the highly skilled woman technician is on equal pay with men in comparable jobs, perhaps because the work can be clearly classified. However, when she gets into the murkier area of administration, such words as "assistant" or "assistant to" can cost her several thousands a year although she's handling as much responsibility as a man whose title is unencumbered by any such prefixes.

Whether women bosses are short-changed, or whether they just don't, as a rule, rise high enough in the ranks, the fact is that executive women's average earnings are low. Of course, there is the handful of six-figure owners of businesses, but a measure of women's monetary success can be found in the working definition of "executive" used by the National Federation of Business and Professional Women: *Anyone who earns more than $4,000 a year and has three or more people working under her.*

Fewer than 4 per cent of NFBPW's membership earns $6,000 a year or more, and fewer than 1 per cent of all

"When women are fully entrusted with estates, not in the role of mere passive coupon clippers but as active investment owners, our economy will be more vibrant and more venturesome in areas where increasing capital is our constant need." JOSEPHINE PERFECT BAY, *President, A. M. Kidder & Company, Inc.*

working women earned as much as $5,000 in 1956, according to *Womanpower*.

Women do play an important role in the nation's economy. They
- hold a third of the jobs
- represent nearly a fifth of all labor-union members
- comprise a third of the college students
- slightly outnumber men as stockholders (although the value of their shares is less than men's)
- cast about half the votes in the 1956 Presidential election.

Preparing to do battle

Despite the discouraging fight to the top, and its questionable rewards, more and more women seem willing to make the try. Figures on higher education bears this out. More than 1 million girls are currently attending colleges and universities—a rise of nearly 50 per cent since 1951. College women tend to put their training to work, however briefly. Half of all women college graduates were in the labor force last year, as compared with about one in three of all other women 18 years and older.

Although the traditional women's fields, like education, still claim the majority, there's a decided new look in sheepskins. For example, girls who were "good in math" used to let it go at that. Now they are being intelligently guided into engineering. Women engineers increased from under 1,000 in 1940 to more than 6,000 in 1950, still around 1 per cent of the total number. But today eager employers show little prejudice against women, so this particular field, in which there currently is an acute shortage of personnel, holds out great promise.

More to come

Most important, there will be a lot more working women in the next decade. Of the 10 million increase expected in our working force between 1955 and 1965, according to the Department of Labor, half will be women.

Even with women filling the kind of specialist jobs that aren't the best path to administrative leadership, their sheer force of numbers in every field is bound to push the talented managers among them up the ladder. END

THE AUTHOR • Claire Trieb Slote, free-lance writer and mother of two, is the former senior marketing editor of *Modern Industry* and a frequent contributor to trade and consumer magazines. Her book, *Improve Your Handwriting,* was published this Fall by McGraw-Hill Book Company. Mrs. Slote is a native New Yorker and a graduate of Hunter College.

PROSPECTS FOR '59
continued from page 31

In looking separately at what management names as its most crucial problems in 1959, there is, of course, more analytical convenience than reality. But two other problems industrial leaders have singled out for special corrective action are these:

- **Labor and strike threats.** Encouraged by a better bargaining position and fed up with continuing union demands that are unrelated to productivity, management is in a mood to be more tough-minded at the bargaining table next year. Like many others, one company president mentions developing "a plan to insure political effectiveness of company personnel at all levels to offset union activity in the same field."
- **Executive development.** A perennial problem for management, and one which is increasingly important in decentralized concerns, is developing strength in the middle management levels and preparing men for its own succession. Some companies even mention the "development of management personnel of high enough caliber and in great enough numbers to handle the company problems that will develop in the next few years" as 1959's No. 1 problem.

These are by no means all the key problems company presidents expect to be concerned with next year. Among others are acquisition and diversification, growth and long-range planning, distribution, new products and research, obsolescence and modernization, and pricing and service problems.

Blessings in disguise

In retrospect, at least, many industrial leaders count the recession as one of business's chief blessings of the recent past. Repeatedly, company presidents point out that the recession reemphasized the dangers of complacency and lush operations. It also focused attention on the importance of controls—control of costs, personnel, inventories, capital expenditures, quality, service, purchasing, sales, and budgets. Two out of three men mention the introduction of more stringent controls of various kinds as the key lesson of the recession. According to a significant number of men, some costs which had been considered fixed during boom years actually turned out to be variable—and could be cut.

The head of an industrial machinery company reports: "We were forced to take an inventory of our competitive product costs and to do something about it. We also took an inventory of our human assets and found inefficiency and featherbedding. We were able to reduce our payroll by more than $1 million

and at the same time handle as much business as heretofore."

From his recession experience, the head of a company in the traditionally competitive textile industry has evolved this four-point control program: "(1) More frequent appraisal of all executive personnel and sales force; (2) more research and action on new products; (3) a continuing program on reduction of all types of expense; (4) more follow-up and insistence on maintaining budgeted turnovers."

Exit the non-producers

During the recession, human productivity at every level was also reexamined, and steps were taken to weed out non-producers and topheavy staff. Comments from two company presidents point up some personnel situations brought into sharper focus by the recession—and acted upon by a tougher-minded management:

Head of a consumer products company: "We weeded out twenty years of deadwood and de luxe service, greatly reducing our break-even point."

President of a paper products company: "The recession has shown us that we have been too lax in some of our practices. Manpower has built up unnecessarily, resulting in people not being fully loaded with work on their jobs. We also found that periodic reports have been issued and various forms of work have been carried on which did not add to the company's profits. We are looking toward better communications and a continuing check on work being performed."

Wages and workmanship

There is nothing new, of course, in business's concern with costs. But the most difficult costs to control—and to do something about—are wages. Presidents blame the unions for pushing wages and fringe benefits higher without relating their demands to productivity increases. And many presidents discern a waning of employees' pride of workmanship—and willingness to work. "The most serious problem our business will face in the years ahead," says one man, "is the fact that we must do a better job in advising our employees of the importance of turning in a full day's work for a full day's pay."

A good many companies, during the recession especially, learned that they could produce more work with fewer people and now propose, as business picks up, to handle a greater volume with same overhead fixed costs and personnel as at present. Mechanization and automation, as well as improved methods, have, of course, contributed to productivity. But many presidents note that the employees themselves, living under tighter budgets and—to put it

bluntly—with the knowledge that their jobs may be at stake, have buckled down and worked harder and more efficiently.

As part of management's intensified warfare on rising employee costs, three out of ten of the surveyed companies plan to add extensive automation to their factory and office operations next year—and four out of ten plan to increase their present facilities. The rest —three out of ten companies—have no plans for adding to their present equipment, some because "we are presently fully automated wherever we think it economic." A few other companies are now completing extensive automation programs, which will be in operation in 1959.

Among those planning to add equipment—or make more extensive use of present equipment—both office and factory costs are targets. More automation according to some companies, will be applied to packaging, mechanical operations, inventory, accounting, sales statistics and, generally, to other data suitable for mass processing.

One company reports "plans to shift many of our clerical operations to data processing machines, which will include inventories, inventory controls, and order entry and processing. Also, we plan to combine groups of machines with added equipment for transfer of materials without handling, and also install automatic inspection units."

Another president says: "Viewing automation as one of our prime methods of cost reduction, we have maintained a constant program applicable to both factory and office operations. This will continue next year." In many of the large industrial companies included in the survey, it is apparent that new equipment, including electronic computers, is constantly under consideration. Other companies are moving toward complete automation as rapidly as possible.

Many large companies, including some in the DR&MI survey, claim that automation is becoming one of the basic necessities for profit improvement—and possibly even for economic survival.

Few financial worries

The company presidents surveyed by DR&MI predict next year will be remarkably free of major financial problems. Nearly six out of ten companies anticipated no serious financial problems of any kind in 1959. A number of these companies report that they are relatively debt-free and otherwise in good financial shape. With smaller capital expenditures ahead, too, many companies report no immediate need to increase equity or seek long-term financing. "We are not faced with any pressing financial needs," says one president. "However, our financial decisions will be made within the framework of the expected continuation of inflation. This means, for example, that we will borrow, but will not lend. We will seek long-term leases, but will try to avoid giving them to others."

Among the four out of ten companies anticipating major financial problems, those most commonly mentioned are obtaining capital for expansion and growth and improving return on investment. Other companies are worried about raising or allocating funds for modernization, refinancing or liquidating current debts, financing credit sales, and carrying inventory burdens. Some companies with defense contracts mention that present deferred reimbursement policies could cause hardship. And, as always, heavy research expenditures cannot be expected to pay any return before a distant and not always predictable future date.

Wanted: management material

Management's chief personnel problems next year—mentioned by more than half the company presidents surveyed—involve the recruitment, selection, training, and development of men, particularly at the middle levels from which top management will draw its successors and its new associates as business grows. "Securing and maintaining top second-level management" is a perennial necessity, says one man typically. The chief corporate personnel problem is "as always—training future management."

But some features may make next year's pattern of personnel problems somewhat different. Presidents report that their companies are planning to place the emphasis on more careful selection of salesmen and more strenuous sales training—an emphasis that might be expected as business moves from a period of decline into an era of better business marked by severe competition. Some companies are planning to increase their sales forces as well. Other companies mention a recurring need for skilled engineers—and several companies, engaged in advanced Government research in space and missile technology, say recruiting scientists will be their most difficult personnel problem next year.

Money and motivation

Compensation is also expected to result in some problems, particularly where pay increases have been restrained by the recession and new business conditions do not yet justify substantial increments. Also, some presidents mention that executives whose total compensation is tied to total profits or gross volume may be working harder next year for less money.

Some presidents see motivation as the biggest personnel problem of 1959. As one man puts it, the big problem is "convincing employees that their own best interests can only be served by cooperation and helpful efforts to keep the business competitive and successful."

Some of the large industrial companies participating in the DR&MI survey have already signed labor contracts

War in '59? Possible but Unlikely

Only 16 per cent of the more than 100 leading industrial presidents in the current DR&MI survey believe firmly and unequivocally there is no possibility that the United States will be involved in a major war during 1959. In a similar survey taken eighteen months ago, 73 per cent of the presidents gave a flat "no" to the question of war occurring in the next ten years.

However, none of the executives among the 71 per cent who believe that U.S. participation in a major conflict during the coming year is "possible" actually expects that war will break out. And the majority of the respondents in the current survey think the odds are against a shooting war.

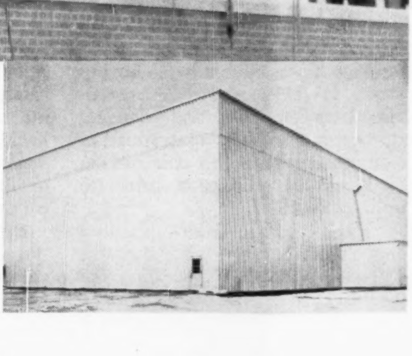
Of the 71 per cent who show increased concern about maintaining the peace, most say the chances of war are remote, slim, unlikely, or negligible. Where odds were given, they range from twenty-to-one against, to 50-50 (cited by a substantial 5 per cent of the group).

Thirteen per cent of the presidents expressed no opinion or said they are not qualified to express one.

Among those saying war in 1959 is "possible but improbable," some support their stand by saying that Russia is not ready for war and doesn't want it, or that the outcome depends on the State Department's handling of the international situation—which some presidents criticize strongly. Many presidents expect no "major war, but believe we will continue to be plagued with brush fire type wars."

One man's detailed summary of his feelings echoes the majority sentiment expressed in the survey:

"There is always danger of a major war in the kind of international situation now prevailing. I know no way to judge whether war will actually develop. For internal business planning, we must assume there will be no major war, since planning under such conditions would be dominated by the Government."



More Government Business in '59?

Bigger defense contracts are not expected to have any material impact on next year's improved business for their companies, according to the 109 industrial presidents surveyed. Four out out five companies expect no change whatever next year in their ratio of defense to civilian business. Almost one out of five anticipates slight increases in defense business, generally ranging from a few percentage points up to 5-8 per cent increases—with one company expecting a 13 per cent increase. Several presidents mention that their companies are attempting to get more—or new—defense business. Some are considering a move into such new areas as the "high precision and miniature field," which would increase their ratio of defense business.

This portion of industrial companies	has this current ratio of defense business
33 per cent	**All civilian**
51 per cent	**1-10% defense**
7 per cent	**11-25% defense**
2 per cent	**26-50% defense**
3 per cent	**51-75% defense**
2 per cent	**76-99% defense**
2 per cent	**All defense**

which assure a reasonably uninterrupted labor peace next year, but some presidents look for a rise in grievances. Other companies were negotiating new contracts at the time of the survey and could not predict the outcome for 1959. But still more will be going to the bargaining table next year, and they plan "to hold the line to the maximum degree."

Productivity-wage imbalance

Many presidents, with labor contracts coming up for renewal and negotiation next year, are worried about industry pattern-bargaining that could easily set wage and fringe levels that individual companies may find it difficult or uneconomical to match. A growing danger is seen in inter-union rivalry for benefits and concessions. Most company chiefs are gravely concerned about inflationary demands that ignore productivity and may force prices up beyond the consumers' willingness to pay. There is also widespread concern about the constant pressure for more pay associated with less work and labor's seeming indifference to quality work and resistance to corrective standards or programs that management has installed—or is now proposing.

A typical comment from one president is this: "If we are to stop inflation and maintain a soundly operated company, labor must realize that living in a free economy such as ours requires that the product one manufactures and sells must be better than that of the competition, year in and year out, if the company is to maintain leadership and grow. It takes wholehearted cooperation between labor and management to accomplish this. This situation is no longer such that you can add on to the price and expect the customer to pick up the check."

While every business man is cheered by the prospect of improving business in 1959, some men fear that improved business may strengthen labor's hand and lead to unreasonable demands. But, promises one man, "we will continue to deal firmly." Says another president, "We will be fair, but will not be dominated." (For other views, see box, page 34.)

Just a year ago, when DR&MI queried more than 100 leading industrial presidents on what they considered the chief threat to industrial prosperity in the year ahead, the No. 1 threat was considered loss of confidence by business men and consumers. Then, as now, inflation was considered the No. 2 problem in the national economy. But this year's No. 1 threat—mentioned by three out of ten men—is a battery of union-related problems, ranging from "autocratic unionism" and the growing concentration of union power and political influence to such specific possible threats as a major steel strike in 1959. Some presidents also are concerned about the "work attitude" of unionized workers.

Other threats to prosperity

Continuing inflation next year is considered almost as serious a threat as union power, and many presidents regard the two problems as cause and effect. Other serious threats to industrial prosperity named are: tight money, high interest rates, and the Federal Reserve Board's fiscal policies; and the likely continuance of severe international tension, with a significant number of presidents flatly naming war as the chief threat.

Many other potential problems are mentioned by respondents — customer price resistance, foreign competition, taxes, unemployment, over-confidence on the part of the public, sudden cutbacks in military spending, excess capacity, over-production, a possible stock decline, and the consequences of political propaganda in an election year.

But whatever the actualities of 1959, business, stronger and trimmer for its recession experience, expects to take them in stride. END

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The Reviewing Stand

● One Saturday afternoon a shipping clerk surprised a shop foreman filling the back of his car with stolen bathroom fixtures. Trying to appear nonchalant, the foreman explained with an air of self-justification, "My boy, I don't trust the man who owns this business. Some day he's going to play me dirty—and when he does, we're even." In an early issue, Al Larke, our Employer Relations Editor, will report on employee dishonesty and what companies are doing to control it. Some of his findings, based on a research project which included a survey of several hundred key companies, may surprise you, as they did the DR&MI staff.

● How far have we advanced toward the day when an engine as big as a cigarette case will drive an automobile for 100,000 miles, or when 100-car nuclear-powered freight trains will be able to cover the entire trackage of the nation without refueling? Unfortunately, many of the fancy predictions are still years and decades from realization—despite the thrilling achievements of the *Nautilus* and the two months' undersea endurance record of the *Seawolf*. In our January issue, Ernest Le Monnier takes a realistic look at the present prospects of atomic power for industry. Progress is being made, it appears, but don't be too hasty about selling your stock in the public utilities that rely on coal, oil, and waterpower. It's likely to be some time before the atomic pile becomes an industrial commonplace.

● Obsolescence is a term that carries some unpleasant overtones for management, but putting an adjective in front of it can take off the curse and even change the meaning. In the February DR&MI, Martin Mayer analyzes the controversial idea of "planned" obsolescence. The process of planned obsolescence might begin with the influence of new architectural design and building materials, but Mr. Mayer limits his discussion to automobiles, TV and other consumer durables, apparel, and wristwatches. The "wearout, breakdown, or fatiguing point" may become a deliberate time target—something to think about when considering quality controls, guarantees, and pride of product.

● The spirit of Christmas is abroad. That it may overtake you, and shower its blessings upon you, is the wish of the entire staff of DR&MI. —A.M.S.

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TITLE: DUN'S REVIEW AND MODERN INDUSTRY

VOLUME: 73 ISSUES: 1-6
74 1-6

DATE: January - December, 1959

University Microfilms, Ann Arbor, Michigan,